CAP reform
Why EC farmers are confused
Page 26

Semiconductors
● *Japanese give way to US pressure* Page 5
● *Has Kobe Steel done its sums?* Page 20

Biotechnology
High risks of getting new drugs to market
Page 12

Business Books
Bill Gates of Microsoft
Section III

FINANCIAL TIMES

Tuesday June 9 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

Rio Earth Summit faces renewed clash over funding

Efforts to resolve the impasse over the financing of a global environmental action plan were stepped up yesterday as the Earth Summit moved into its final phase. A new north-south clash seemed inevitable over the level and timing of financial commitments to the programme.

Just two days before the heads of state arrive, European Community countries and the Group of 77 developing countries yesterday failed to agree in initial discussions on a new Brazilian compromise proposal on financing, the most crucial conference issue. Page 16; Reports, Page 6

US utilities to merge: Entergy Corporation, Louisiana-based electric utility, is making a $2.3bn offer to acquire Gulf States Utilities, Texas-based utility, in an agreed takeover. Page 17

Czechs and Slovaks to meet: Vaclav Klaus, Czechoslovakia's federal finance minister who has been asked by President Vaclav Havel to begin talks on a new federal government, is expected to meet Slovak leader Vladimir Meciar today to discuss the form of the future federal government. Page 16; Editorial comment, Page 14

RTZ to sell Canadian stake: RTZ, world's biggest mining group, is selling its 51.5 per cent stake in Rio Algom, Canadian mining and metals distribution subsidiary. Page 17

Theft charges against Nadir dropped

A judge in the UK yesterday dismissed 46 charges of theft against Asil Nadir (left), former chairman of Polly Peck International, the collapsed fruit and electronics group. Nadir still faces a further 20 charges of theft and false accounting. Page 16

General Dynamics: US defence contractor General Dynamics, which has been promising to return its rapidly mounting excess cash reserves to shareholders, yesterday announced plans to spend up to $975m to buy back 30 per cent of its stock. Page 17

Japan passes troops bill: Japan's upper house of parliament voted by 137 to 102 to approve a controversial bill that would allow Japanese troops to serve overseas on peacekeeping missions. The bill needs final approval from the lower house. Page 4; Picture, Page 16

Bull revamps ZDS strategy: Zenith Data Systems, US-based personal computer arm of Groupe Bull of France, will today announce radical changes in corporate and product strategy designed to return it to profitability. Page 17

ABB group wins $1.8bn deal: A consortium led by Asea Brown Boveri, Swedish-Swiss engineering group, has won a $1.8bn order to build a power station and the world's biggest water desalination plant in Abu Dhabi. Page 5

Lira under pressure: The Italian lira came under renewed pressure yesterday as the business and financial community took stock of the impact of last week's Danish referendum rejecting the Maastricht treaty. Page 3; Currencies, Page 34

HK Bank sets O&Y exposure: Hongkong and Shanghai Banking Corporation, one of the largest creditors of Olympia & York, troubled property developer, said its total exposure to the company was $787m. Page 20

BioChem Pharma defers offering: Biochem Pharma, Glaxo's Canadian partner in the development of the 3TC treatment for Aids, has withdrawn its first international equity offering of 3.5m new shares. Page 20

Indian ministers accused: An Indian opposition leader has claimed that four government ministers were involved in the Bombay stock market scandal. Page 4

BAA profit falls 22%: Pre-tax profits at BAA, UK airport operator, fell by 22 per cent to £192m ($349.5m) for the financial year ended March. Page 18; Lex, Page 16

MCI Communications chief dies: William McGowan, chairman of MCI Communications, died yesterday at the age of 64 in Washington DC of a heart attack. Page 20

Mali president takes office: Mali swore in its first democratically elected president, history professor Alpha Oumar Konare, 46. He warned his people not to expect miracles.

Test draw: Alec Stewart scored 190 and Robin Smith 127 as England (459-7) drew the rain-ravaged first Test at Edgbaston with Pakistan (446-4 dec).

STOCK MARKET INDICES

FT-SE 100	2,645.8	(-22.7)
Yield	4.84	
FT-SE Eurotrack 100	1,177.48*	(-3.70)
FT-A All-Share	1,283.32	(-0.8%)
FT-A World Index		
Nikkei	17,655.65	(-134.98)
New York:		
Dow Jones Ind Ave	3,404.14	(+5.45)
S&P Composite	413.36	(-0.12)

US CLOSING RATES

Federal Funds:	$3\frac{5}{8}$%	($3\frac{1}{2}$%)
3-mo Treas Bills: Yld	3.744%	(3.755%)
Long Bond	$101\frac{13}{16}$	($101\frac{23}{32}$)
Yield	7.835%	(7.843%)

LONDON MONEY

3-mo Interbank	10%	(10%)
Liffe long gilt future:	Sep $97\frac{13}{32}$	(Sep $98\frac{3}{16}$)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$21.075	(21.25)

Gold

New York Comex (June)	$338.2	(340.7)
London	$338.75	(same)

*Partial

STERLING

New York:		
$	1.835	(1.8325)
London:		
$	1.834	(1.8355)
DM	2.915	(same)
FFr	9.825	(9.83)
SFr	2.6625	(same)
Y	233	(232.75)
£ Index	92.6	(92.5)

DOLLAR

New York:		
DM	1.5885	(1.591)
FFr	5.3455	(5.3595)
SFr	1.44885	(1.45235)
Y	127.28	(126.75)
London:		
DM	1.5895	(1.588)
FFr	5.3575	(5.355)
SFr	1.452	(1.4505)
Y	127.1	(126.75)
$ Index	62.7	(same)

Tokyo close Y 127.2

Britain may push for clearer devolution of EC powers to ease ratification of pact

UK plan to break treaty deadlock

By Ivo Dawnay and Ivor Owen in London and David Gardner in Brussels

THE UK government is planning to explore with its European Community partners the possibility of a new addendum to the Maastricht treaty, putting limits on the Commission's powers to intervene in issues which could be handled at national level.

By finding a form of words to tighten up the application of "subsidiarity" – the devolution of power to the lowest appropriate authority – the British presidency, which takes over next month, hopes to break the deadlock created by Denmark's rejection of the treaty in a referendum last week.

In Brussels, a senior commission official said it was "exactly the wrong time to come up with something like that". He said: "Nobody knows why the Danes turned it [the treaty] down. Everyone agreed to press on with ratification. It's odd timing from a European point of view but they [the UK] have got to be seen to be doing something." He said any attempt to tamper with the treaty could directly affect plans for speedy ratification.

The British proposal is for an explanatory codicil to be attached to the treaty before ratification.

UK government officials stressed there was no question of reopening negotiation on the main text of the treaty. They also agreed that it would be "a long haul" to work out the legal and diplomatic complexities, and that it remained unclear whether it was possible or if it would be enough to bring the Community through its current impasse.

German backing for referendum ....Page 3
Joe Rogaly ....Page 16

Earlier Mr Douglas Hurd, the foreign secretary said he was firmly opposed to any attempt to reopen the treaty for negotiation, warning that such a move would put the EC "back in the maelstrom".

EC foreign ministers agreed in Oslo last Thursday to press on with ratification of the unamended treaty. The Danish government concurred with this strategy as their partners argued that any renegotiation of Maastricht risked the complete unravelling of the European Union project.

Mr John Major, the UK prime minister, and Germany's Chancellor Helmut Kohl endorsed the strategy when they met in Bonn on Friday. Mr Kohl faces growing demands from the German länder to strengthen "subsidiarity" in the treaty.

The UK may face criticism because when the treaty was agreed at Maastricht last December the government rejected a clause to strengthen the new "subsidiarity" provision written into the treaty.

Yesterday, in the Commons, Mr Hurd said that Britain shared the Danish concerns about the centralisation of power in the Community and would not join any attempt to coerce them into signing the treaty. Britain would proceed with its partners to continue the process of ratification, leaving the door open to Denmark.

Downing Street later made clear that ratification would not begin until the autumn when the bill, shelved last week, would return to the Commons. Meanwhile, a debate on the implications of the Danish decision will be held before the summer recess in mid-July.

Responding for Labour, Mr Gerald Kaufman, the shadow foreign secretary, said Mr Hurd had left the Commons no clearer as to the situation and would await further clarification when the government next reported back.

Tory backbenchers pressing for Denmark's rejection of the Maastricht treaty to be used as a springboard for renegotiation also appeared unhappy with Mr Hurd's approach.

Bosnian forces launch surprise attack on Serbs

By Judy Dempsey in Belgrade and agencies

SERB IRREGULARS devastated Sarajevo with heavy shelling yesterday, leaving a trail of destruction and fire in the Bosnian capital, but Moslem and Croat defenders hit back hard for the first time in days.

In New York Mr Boutros Boutros-Ghali the UN Secretary-General, recommended increasing the 14,000-member United Nations peacekeeping force in Yugoslavia by more than 1,100 troops to enable the UN to reopen the airport at Sarajevo to bring in humanitarian supplies.

Serbia suffers under sanctions ....Page 2

Heavy explosions ripped through the heart of the capital and thick columns of black smoke rose from burning buildings across the city, where some 300,000 residents are trapped.

More than 30 people were killed and 120 wounded over the weekend in some of the worst fighting in a European capital since World War Two. Hospital officials said at least eight had been killed on Monday.

Bosnian territorial defence units launched an unexpected counter-attack against the heavily-armed Serb forces near an area where 40,000 Serb, Croat and Moslem residents are trapped.

Sarajevo radio reported that more than 30 people were killed and 120 wounded over the weekend. An estimated 5,300 people have died and 22,500 been injured since the fighting broke out in the republic in April.

The territorial units include troops drawn from Sarajevo's close-knit ethnic communities, including Moslems, Croats and Serbs. Yesterday they used artillery left behind by the Serb-dominated Yugoslav federal army units which withdrew from a central barracks in the city last Friday.

Ms Gordana Kenezevac, a journalist from Oslobedjne, the Bosnian daily said: "Everybody is fighting to save their city. Mathematicians and students, fathers and sons, sportsmen and office workers."

"Even though we have no food or medicine, we will not surrender to Karadzic and his forces."

Ancient parts of Sarajevo were burning after yesterday's shelling from Serb positions in hills surrounding the city.

In New York there was progress on plans for the United Nations to take control of the capital's airport which Serbian militia have blockaded for the past nine weeks.

The blockade of the airport and the main road links into Sarajevo has prevented any food and medical supplies from reaching the 300,000 Moslem, Serb, and Croat inhabitants of the city, which has been under siege for over two months.

Continued on Page 16

A mosque in the town of Visegrad in Bosnia-Hercegovina shows the effects of heavy shelling from Serbian gunnery positions

Britain to probe Maxwell group

By Raymond Snoddy and Robert Peston in London

A WIDE-RANGING inquiry into the tangled affairs of Mirror Group Newspapers, the heart of the late Robert Maxwell's publishing empire, was launched yesterday by Britain's Department of Trade and Industry.

The announcement of the inquiry by Mr Michael Heseltine, president of the board of trade, more than seven months after Mr Maxwell's death could cause greater uncertainty for the newspaper group which includes the Daily Mirror, Sunday Mirror and The People.

It could also delay further the sale of the majority stake in MGN, which is now, in effect, controlled by a group of banks led by Britain's National Westminster.

The DTI inspectors, Mr John Laugharne Thomas and Mr Raymond Thomas Turner, have been asked to investigate "the affairs and membership" of MGN but in particular the £245.5m ($450m) flotation of 49 per cent of the company's shares in April 1991.

Of the total of 196.39m MGN shares, the British merchant bank Samuel Montagu offered 114m in the UK and Salomon Brothers International more than 78m shares to institutional shareholders outside the UK. Employees bought the rest.

One of the key issues will be whether the assurances given at the time by the company and its advisers that there would be a "ring fence" separating MGN from other Maxwell interests were credible.

Other issues are likely to include statements made in the flotation document about the state of MGN pension funds and the company's property leasing arrangements.

Yesterday's government announcement revived ironic memories of a previous DTI inspectors' report in 1971 which Mr Maxwell complained about for the rest of his life.

UK government to review pension laws ....Page 8
Editorial comment ....Page 14
Lex ....Page 16

The first DTI inspectors' report said: "We regret having to conclude that notwithstanding Mr Maxwell's acknowledged abilities and energy, he is not in our opinion a person who can be relied on to exercise proper stewardship of a publicly-quoted company".

Key witnesses for the inspectors who have been appointed under Sections 432(2) and 442 of the 1985 Companies Act will be senior executives of Samuel Montagu and of Smith New Court, broker to the flotation.

The sections give inspectors wide powers to require access to

Continued on Page 16

Former Soviet states growing illegal drugs, says UN report

By Ian Hamilton Fazey

MORE THAN 3m acres of marijuana are being illegally cultivated in the former Soviet Union, together with about 100,000 poppy fields in Russia alone, according to a report produced by a special United Nations fact-finding mission.

The UN Drug Control Programme in Vienna, which has been investigating how to help contain the problem, also discloses a special aerial survey is being carried out this month to check whether opium poppies have been secretly sown in the contaminated area around Chernobyl. The poppies should be starting to flower about now.

The mission says Russia's "frantic race for capitalism" and making the rouble convertible will provide "propitious terrain" for money laundering.

In addition, newly-opened borders are not being effectively controlled, so that new routes are appearing which can be used for exporting drugs to western Europe.

Some traffic has already been diverted from what is an increasingly better-policed route through the Balkans to a new one through the Caucasus.

The mission, led by Mr Enrique Parejo-Gonzalez of the UN agency, included Mr Robert Simmonds, former commissioner of the Royal Canadian Mounted Police, and Dr Istvan Bayer, former director-general of the Hungarian National Institute of Pharmacy.

Their report says that the drug abuse problem in the countries of the former Soviet Union "is bound to develop exponentially in the near future", as illegal supplies are pushed to fuel local demand.

"All the ingredients are there: unemployment, poverty, a phase during which freedom is carried to an extreme, fascination with western modes of life, the appearance of new drugs and 'business' in all its forms, which will encourage new dealers and proselytism," the report warns.

It calls for technical help and advice so that new governments can fight the problems more effectively. This includes better links with international drug control bodies, improved anti-drug laws to fill the legal vacuum which exists in most republics, the rehabilitation of drug addicts, and laboratories and equipment which will help to catch the traffickers.

All the new governments are taking the problem seriously but knowledge of its extent is imperfect in the present phase of political and economic upheaval, the report says.

However, new facts uncovered in the visit included 350,000 acres in Kazakhstan and 150,000 acres Kyrgyzstan where marijuana is growing wild.

This is being used locally or exported and the authorities of these countries said it was impossible to control or eradicate production totally.

In Uzbekistan, poppies are being grown in mountainous regions but police lack equipment to destroy the fields. The report says the same problem occurs in Russia, where there are now an estimated 100,000 poppy fields or plots and nearly 2.5m acres of marijuana under cultivation.

"The situation is similar in Belarus, particularly in the region near Chernobyl, in Ukraine and in Tajikistan," the report adds.

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr190	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs30	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 16,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

CONTENTS

Czechs lead Slovakia in the economic stakes

High unemployment has fuelled resentment among Slovaks against Prague, writes **Anthony Robinson**

BEFORE last weekend's *elections Mr Vaclav* Klaus, Czechoslovakia's federal finance minister, said his ambition was to become the first leader in post-communist Europe to win an election while most of the electorate was still suffering from economic reforms.

That ambition was realised in the Czech lands as more than 30 per cent of the electorate voted for the man who abolished subsidies, freed prices and reduced their real incomes by up to 20 per cent over the last 18 months. It was a huge personal victory for the didactic former economics professor who suffers fools badly and makes few concessions to opponents.

His support reflects belief that sacrifices would pay off in the medium term. They have already produced benefits such as an internally convertible currency, liberalised imports and the start of a mass privati*sation programme. This will* make 8.5m Czechs and Slovaks small shareholders in more than 4,000 state-owned enterprises. If the programme is successful it could be adopted as a model by other post-communist countries, including Poland and Russia.

The latest statistics also indicate that the unprecedented 29 per cent decline in industrial production since January 1990 bottomed out in the last quarter of 1991. Output is now starting to rise. The official statistics furthermore still largely ignore the private industrial sector where output has been growing for months, fuelled by rising foreign investment and start-up operations by local entrepreneurs.

At the same time, inflation dropped from 58 per cent last year, largely caused by the reduction of subsidies, to an annual rate of around 10 per cent in April. Real wages and savings are also rising again, both in the Czech lands and Slovakia, according to Mr Karel Dyba, the Czech economics minister.

Exports are also rising strongly after a 30 per cent *decline in volumes between* 1989 and 1991. This, and the growing inflow of foreign equity capital, has allowed Czechoslovakia to reduce its net foreign debt from \$9.4bn last year to \$9.1bn at the end of the first quarter of 1992.

Voters in Slovakia, however, do not share the faith of the Czechs that the recovery is just around the corner.

Unemployment has risen from nil to 12 per cent over the last 18 months, three times the official rate in the Czech lands. In the large Czech cities like

US investment bankers advising the Czech government estimate projects worth about $5bn are in the pipeline as the country gears up to overtake Hungary as the prime target for foreign investors.

Prague, however, employers cannot fill vacancies, specially for skilled workers and office staff.

High unemployment has fuelled the resentment expressed in support for Slovak nationalist and separatist parties in the elections. The worst hit areas are one-industry towns like Martin in central Slovakia, where more than 10,000 workers once had jobs making Soviet-designed tanks, mainly for export.

The outgoing federal government in Prague, staffed largely by idealists who played a key role in the November 1989 "velvet revolution", ordered sharp cuts in output and imposed tight export controls on defence equipment, leaving thousands unemployed. Mr Klaus is expected to relax these restrictions which merely led to former Czechoslovak arms markets being taken over by US and other arms exporters. Despite the *association agreement signed* with the European Community last year, however, Slovak attempts to follow the more westerly Czechs into EC markets are proving difficult.

Kosice steel works, near the Ukrainian border, managed to sell cheap steel wires and coils to France, Greece and other markets in recent months.

However, this only provoked protests and threats of anti-dumping duties from Eurofer,the European steel producers' association.

Meanwhile, unemployment could rise sharply once the mass privatisation programme finally puts state enterprises into private ownership.

It is only at that point that the new owners are expected to exercise their proprietorial rights by cutting bloated payrolls and closing loss making plants.

The main question now is whether the strong support for *economic reforms* shown by Czech voters will lead to the expected sharp increase in foreign investment.

With labour costs only 10 per cent of those in western Germany, western and northern Bohemia in particular are being targeted as prime sites for producing low-cost exports to EC markets.

US investment bankers advising the Czech government estimate that projects worth an estimated \$5bn are in the pipeline as Czechoslovakia gears up to overtake Hungary as the prime target for foreign investors.

How much of this investment flows on to Slovakia will be influenced by the outcome of negotiations on the future of the Czech and Slovak federation.

But most US investors in particular expect to make their first investments at least in the Czech lands, which are close to the EC markets, rather than more distant Slovakia, says Mr Mart Bakal of Crimson Capital Corporation, investment bankers to the Czech Ministry of Privatisation.

Moscow's mayor quits to seek new challenge

By Leyla Boulton
Moscow

PRESIDENT Boris Yeltsin has accepted the resignation of Moscow's mayor, Mr Gavriil Popov, a former comrade-in-arms who wants to try demolishing socialism in Russia at large because doing it in the capital alone is too difficult.

The departure at the weekend of one of the pioneers of Russia's anti-communist movement just one year after his direct election to the post means the loss of a controversial ally for Mr Yeltsin.

The stocky economist, whose disdain for ties is matched by an equally idiosyncratic political style, said he wanted to campaign in national politics in the run-up to an autumn referendum on whether Russia should have private land ownership and a strong presidency. But Mr Popov has resigned to head a weakling Russian Movement for Democratic Reform (another unpromising attempt to encourage party politics in an arena dominated by strong personalities).

An avowed democrat who acted like an autocrat, Mr Popov is believed to be positioning himself for higher office before his failure to deliver concrete benefits for Moscow's 9m inhabitants tarnishes his image nationwide.

"He considers that the latest steps, including new cabinet appointments, by Yeltsin are very dangerous," said Mr Arkady Murashov, the Moscow police chief who is also thinking of resigning following the departure of his patron.

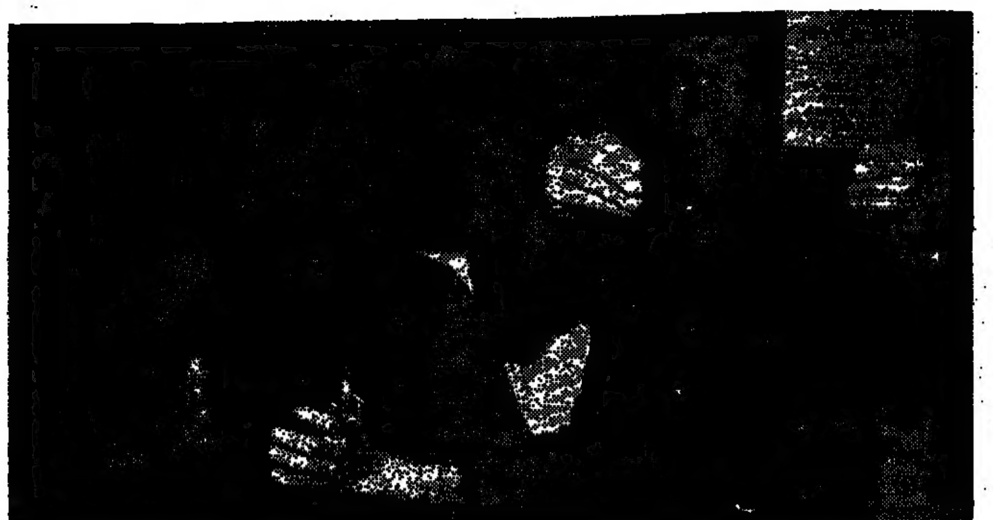
Brewery to head Romania sell-off

A regional brewing company is to be Romania's first candidate for privatisation, the National Privatisation Agency announced yesterday, writes Virginia Marsh in Bucharest.

Ursus Sa, which had net sales of \$2.18m in 1991, would be privatised through a public offer for sale, said Mr Adrian Severin, president of the NPA.

Serbia suffers under sanctions

By Judy Dempsey in Belgrade



War grief: Bosnian militiamen mourning a dead comrade in a hospital in Sarajevo yesterday

THE impact of United Nations sanctions imposed a week ago on Serbia and its tiny ally Montenegro will bite much sooner than expected, according to Serb economists and western diplomats.

They say this is because the Serbian government did not build up adequate reserves of raw materials and spare parts, even though it saw how the war in neighbouring Croatia and Bosnia-Hercegovina had severely disrupted the entire transportation system throughout the former Yugoslavia.

The sanctions have forced the government of Montenegro to introduce petrol rationing which took effect from last Saturday. Serbia is expected to follow suit by issuing ration coupons this week.

In Montenegro, private car owners are allowed 30 litres of petrol a month, transport vehicles 400 litres and tractors and taxis 250. In both republics, the price of petrol increased last week by between 80 and 100 per cent. A litre of petrol now costs 750 dinars or one US dollar at the official rate.

Serbia's oil fields produce *between 20 per cent and 25 per* cent of the country's total needs. The rest was imported from Romania, Greece, Iran, and the former Soviet Union. A Serb economist yesterday said Serbia might not be able to keep domestic production at present levels. "We were in the process of concluding contracts for importing exploration equipment to maintain that production. The sanctions put paid to that," he said.

Serbia has abundant hydroelectric supplies. However, the sanctions mean that Serbia will not be able to import turbines from Croatia, one of its traditional suppliers. "We do not have extra turbines. The *sanctions show just how inter*dependent the Yugoslav republics were," the economist said.

He added that petrol shortages will exacerbate food price rises, because petrol rationing could reduce the volume of food supplies coming into Belgrade, the Serbian capital. Belgrade newspapers yesterday reported that the price of 7,200 goods were increased last week. In addition, the agricultural sector depends on imported chemicals and oil derivatives. Mr Andras Vince, a Hungarian economist in Belgrade, said Hungary supplied Serbia with the bulk of its chemical needs. The steel industry is likely to be hit hard *by sanctions. Any steel short*ages could soon affect the arms industry, and the military effectiveness of the Serbians.

For instance, the steel works in Niksic, Montenegro, produces between 250,000 and 280,000 tons of steel a year, including high quality alloyed steel, most of which goes directly to the defence industry. Mr Samo Markovic, an official at the Yugoslav Iron and Steel Federation, said the plant had stockpiled only about 20 days of finished products.

"The steel mills are not self-sufficient," said Mr Markovic. "Serbia and the other republics had to import almost all their iron ore and coke from eastern Europe, the former Soviet Union, and Latin America," he explained.

Cyprus denies breaking embargo

By Tony Walker in Cairo

CYPRUS has heatedly denied that it has become a money-laundering centre for illicit funds transferred from Yugoslavia by an increasingly beleaguered Serbian regime.

Mr Andreas Philippou, a senior Central Bank of Cyprus official, yesterday described reports of up to \$750m having been lodged in Cyprus banks and front companies by Yugoslav nationals as a "gross exaggeration".

"The amount of money deposited in Cyprus by Yugoslavs is nowhere near \$750m and not even a fraction of that," said Mr Philippou, whose responsibilities include supervision of banks and financial institutions on the east Mediterranean island.

The Washington Post had reported that Mr Slobodan Milosevic, the Serbian president, and associates had shifted millions of dollars recently to Cypriot subsidiaries, protected by strict banking secrecy laws.

The newspaper raised the possibility that Mr Milosevic and his allies may have been using Cyprus, with its thousands of registered offshore companies, to circumvent United Nations trade and financial sanctions.

Mr Philippou angrily rejected suggestions that Cyprus had helped Serbian nationalists defy UN sanctions. The government, he said, implemented UN sanctions immediately and local financial institutions were under strict instructions to freeze transfers of Yugoslav funds. The Bank of Cyprus official said Yugoslavia's use of Cyprus as a trading post in the Mediterranean and a centre for offshore companies had been "going on for years". He estimated that Cyprus had some 8,000 offshore companies, but he was unclear how many of these were Yugoslav-owned.

He described reports of huge sums being moved by Milosevic associates as "rumour-mongering". He insisted there had been no surge of financial transfers since the troubles intensified in Yugoslavia.

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Russia says reform remains intact

By John Lloyd in Moscow

THE Russian government yesterday claimed its reform strategy remained intact, in spite of a week in which three senior ministers from the industrial lobby entered the cabinet and an indefinite delay was put on raising energy prices.

A new round of negotiations between the government and the IMF on an economic programme starts in Moscow this week, with a deal still in the balance. Agreement is required to give Russia access to $24bn (£13.1bn) of funds put up by the west and the IMF, and more importantly, to allow the World Bank to lend to the republic.

Azerbaijan's nationalist Popular Front yesterday said its leader, Mr Abulfaz Elchibey, was headed for victory in the presidential election that took place on Sunday, Reuter reports from Baku.

A victory for Mr Elchibey, who is against participation in the Commonwealth of Independent States (CIS), would distance Azerbaijan further from Moscow's sphere of influence.

Mr Anatoly Chubais, the minister in charge of privatisation, told an economic conference yesterday that the pace of privatisation had quickened, and that receipts now totalled Rbs5bn. This is, however, far short of the rate necessary to fulfil a planned receipt of Rbs90bn this year.

The government passed a privatisation law through parliament on Friday although deputies had refused to pass it a week before. Mr Boris Yeltsin, the Russian president, has also said he will sign a decree to bring in a bankruptcy law – which the deputies had also thrown out.

The bankruptcy law will have its casualties – as Mr Feodor Prokopov, chairman of the Committee on Employment, said yesterday. The government expects 4m unemployed by the year end, and is proposing unemployment benefit of 75 per cent of the minimum wage.

Mr Chubais said that he still expected a struggle over the privatisation programme, due to go back to parliament in a few days' time.

Mr Yegor Gaidar, now joint first deputy prime minister with Mr Vladimir Shumeiko, the former deputy speaker of parliament, told Izvestia that reforms hung on the solution of debts of Rbs1.7 trillion in the enterprise sector and the lack of cash in the economy which has left millions of workers unpaid. However, he said that he would not bail companies out with more credit; and that the debt problem would be addressed by selling it off at a discount.

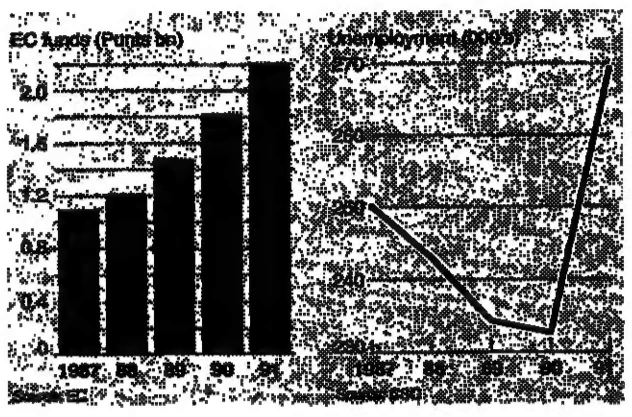
Ireland weighs sixfold EC cash bonus

Tim Coone on pre-referendum efforts to highlight the economic gains of Europe

JUST A FEW blocks away from Dublin's famous O'Connell Street and its bustling nightlife of cinemas, theatres and bars, there is a very different image of Ireland's capital which never appears in the tourist brochures: run-down tenements, scruffy streets and pinch-faced children cleaning windscreens at traffic intersections.

Office workers who take short-cuts through to the new International Financial Services Centre on the dockside walk briskly past, carefully avoiding the gazes of men languishing on streetcorners or at the entrances to bookmakers' shops. Ireland's unemployment rate now stands at just over 20 per cent, the highest in the European Community. On June 18 the country will vote in a referendum to ratify or reject the Maastricht Treaty. Unemployment is increasingly becoming the focus of the Maastricht debate.

Mr Albert Reynolds, the prime minister, spelt out the significance of the EC for the Irish economy when he addressed a conference organised by the Irish Congress of Trade Unions last month. "The community takes three-quarters of our total exports. Exports to our partners represent 42 per cent of our national output. More than half the jobs in the state depend on our continued access to the community market. Stronger growth in our community partners,



the removal of economic frontiers and Emu (European monetary union) will therefore yield considerable benefits to this country," he said.

He emphasised that the government attached "the highest priority" to cohesion in its proposals on the draft treaty. This is the principle that the poorer member states, namely Spain, Portugal, Greece and Ireland, should be net beneficiaries in the distribution of EC funds, to bring their living standards gradually into line with the rest of the community.

For every pound that Ireland puts into the EC budget, it gets six back. In 1991, I£2.2bn (£2bn) was transferred to Ireland under the Common Agricultural Policy and the structural fund. Together they represent 6 per cent of national income.

Since Ireland joined the EC in 1973, gross domestic product per capita has risen from 59 per cent of the EC average to 69 per cent today. A recent econometric study by the Economic and Social Research Institute (ESRI) in Dublin estimates that by the year 2000 participation in the single market, Emu and the structural fund will increase GDP to between 7 and 8 per cent above what it would have been. The study assumed that structural and cohesion funds remained at their current level.

Under the new Delors budget proposals, which would almost double the structural and cohesion funds available to the four most disadvantaged states, Ireland hopes to receive I£6bn for the 1994-1998 period compared to I£3bn for 1989-1993.

But while these arguments are being used in an effort to convince the Euro-cynics in the lead-up to the Maastricht referendum, many of the experts also doubt whether cohesion funds are sufficient in themselves to create economic convergence.

Mr Kieran Kennedy, director of the ESRI, says that Emu's emphasis on institutional arrangements to control monetary policy, without a fiscal authority of comparable weight, creates an inherent danger for Ireland.

"The outcome could be a macroeconomic policy that would weight the balance excessively towards price stability at the expense of employment and output. Protracted unemployment poses a more severe threat to the cohesion of our own society, and to our role in the EC than to the gap in average income between Ireland and the EC," he says.

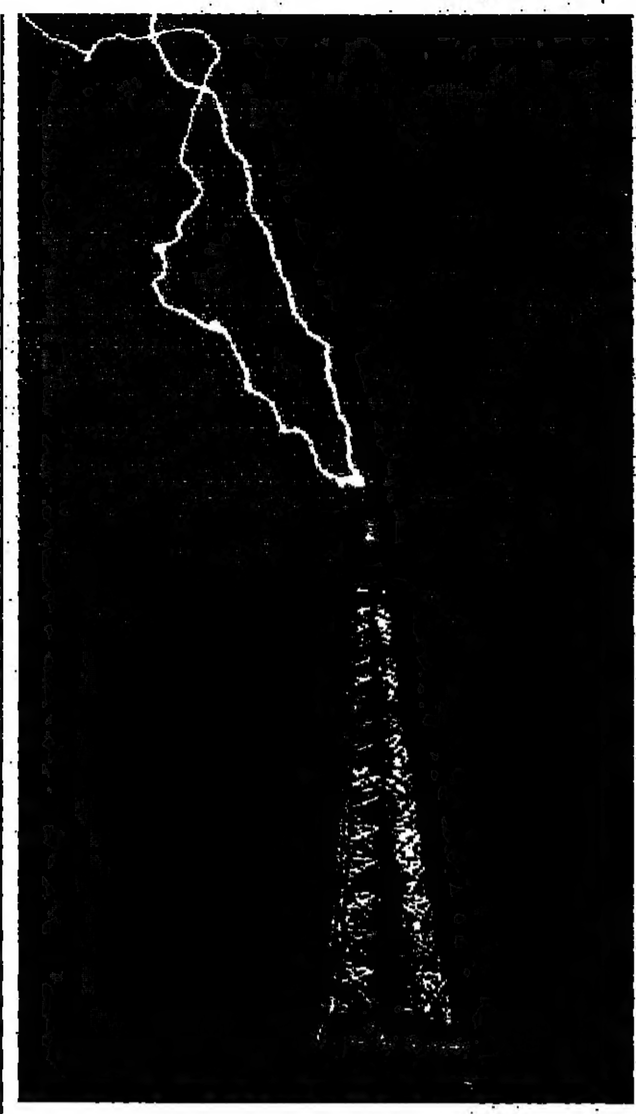
Mr Maurice Doyle, the central bank governor, said recently: "Ireland would seem to be vulnerable to country-specific shocks in that the structure of the economy is quite different from the average European economy." He pointed to Ireland's high dependence on agriculture, the domination of the industrial sector by foreign investment which is internationally mobile, and a service sector strongly oriented towards domestic demand, making it vulnerable to shocks in other sectors. "I mention these factors to emphasise the importance of economic cohesion for Ireland and the need for community-wide policies and adjustment mechanisms to cope with the inevitable shocks that the union will encounter."

The Irish government's own resources are extremely limited. According to the ESRI, in Ireland every 10 workers have to support on average 22 dependants, whereas in Denmark, at the other extreme, every 10 workers have to support only nine dependants. This gives it limited room for manoeuvre, either to find the resources to deal with the existing level of unemployment, or the effects of any shocks resulting from the single market and Emu.

Ireland has placed itself in the fast-track to Emu. This requires strict fiscal and monetary discipline to keep down inflation, reduce borrowing and cut government expenditure. Ireland is well on target for Emu but is suffering rising unemployment and growing labour unrest. The government is simultaneously attempting to reduce taxes to harmonise Ireland's tax regime with that of its EC partners.

The EC structural and cohesion funds are thus vital to Ireland in order for it to harmonise its economy with those of its 11 EC partners.

The dilemma is that the funds themselves are unlikely to be sufficient to resolve Ireland's severe unemployment problems, but the alternative – to opt out of Maastricht altogether – is even bleaker.



TOUR DE FORCE: A bolt of lightning striking the Eiffel Tower during a thunderstorm late on Sunday night.

German poll shows support for referendum

By Quentin Peel in Bonn

ALMOST three-quarters of Germans believe that Germany should have a referendum on the Maastricht treaty on European political and economic union, according to the latest opinion poll.

At the same time, 56 per cent of those questioned for Stern magazine, on the day after Denmark voted against the Maastricht treaty on European union, still favour the idea of union, but 72 per cent opposed the abolition of the Deutsche Mark. Just 22 per cent were positively in favour of a single European currency.

Some 70 per cent of those questioned by the Dortmund-based Forsa opinion research institute said they believed Germany should retain its full sovereignty to decide questions of foreign and security policy, social, economic and financial policy – suggesting widespread ignorance of the degree to which such responsibility has already been transferred to EC institutions.

Mr Klaus Kinkel, the German foreign minister, rejected the growing pressure for a German referendum on Maastricht, saying that such a vote was not provided for in the German constitution.

Lira faces renewed pressure

By Robert Graham in Rome

THE Italian lira came under renewed pressure yesterday as the business and financial community took stock of the impact of last week's Danish referendum rejecting the Maastricht treaty.

At the same time, leading commercial banks raised their prime rate by half a point to 13.5 per cent in response to last week's raising of rates by the Bank of Italy.

In thin trading the lire was quoted at 756.4 against the D-Mark. This was right against the Bank of Italy's unofficial floor for the currency. The lira has hovered at this level since last Thursday when the markets first reacted to the Danish referendum result. But yesterday the Bank of Italy did not intervene by selling D-Marks as it did on Thursday and Friday last week.

"The situation surrounding the lira is complex and the markets continue to be nervous," Mr Rony Hamaui, head of research at Banca Commerciale Italiana (Comit), said.

Last Thursday the Bank of Italy raised rates on short-term advances by half a point to 13 per cent to protect the lira but refrained from a more definitive move by increasing the discount rate. Yesterday, the Bank of Italy also sought to squeeze liquidity by raising rates on repurchase agreements with the banks. The rate being offered was 13.13 per cent, more than 0.6 per cent above that of last Wednesday.

The commercial banks have felt obliged to raise their prime rates in response. "I don't know if the half point on the advances (by the Bank of Italy) will be sufficient," Mr Hamaui said. "The Bank of Italy intervened quickly and sought to anticipate things which could get worse."

The main concern centred on whether the politicians' resolve to tackle Italy's deteriorating public finances would be weakened by the Maastricht crisis.

Indian ministers accused in stock market scandal

By David Housego in New Delhi

INDIA'S parliamentary opposition was yesterday preparing to launch a fierce attack on the government over the Bombay stock market scandal with the allegation by one of their senior leaders that three cabinet ministers were involved.

Mr George Fernandes, a former socialist industry minister and a Janata Dal leader, claimed at a press conference that four ministers were involved, including three of cabinet rank.

He declined to name them but said he was seeking an appointment with the prime minister to brief him about aspects of the scandal requiring urgent attention.

In similar vein, Mr L K Advani, former leader of the militant Hindu Bharatiya Janata Party, said that fraud on such a large scale would not have been possible without the direct or indirect support of senior members of government.

Mr Advani claimed that the failure of the Reserve Bank of India (the central bank) to take action sooner was proof that the brokers and bank employees involved had well-placed political patrons.

A report of a Reserve Bank committee of inquiry published last week said that banks and financial institutions stood to lose Rs30bn (£577m) as a result of illegal securities trading.

In an effort to minimise the bank's losses, the government has yesterday impounded the assets of 31 people and companies, including those of Mr Harshad Mehta, the Bombay broker still detained by police for questioning, members of his family and companies associated with him.

The seizure was made as a result of a decree published over the weekend under which the government is also setting up a special court to try fraud charges connected with the scandal.

A judge of the Bombay high court was yesterday expected to be named to preside over the hearings.

'There will be no cover-up, no shielding of anyone'
— **Narasimha Rao, India's Premier**

The decree provides that impounded property shall be used to pay outstanding taxes and debts to banks and financial institutions.

Mr P.V. Narasimha Rao, the prime minister, in an attempt to dispel a widely held belief that there will be no criminal convictions in the affair, told an Indian daily yesterday that "there will be no cover-up, no shielding of anyone."

He added: "We are absolutely clear in our mind that anyone who is at fault will have to pay for his deeds." The law would take its course and at speed.

The interview was published by the conservative Hindustan Times which on Saturday called in an editorial for the resignation of Mr S Venkitaramanan, the Reserve Bank governor, as "unfit to hold the job he was entrusted with."

Mr Fernandes called for the resignation of both the governor and Dr Manmohan Singh, the finance minister.

NEWS IN BRIEF

S Korea plans $12.7bn international airport

SOUTH KOREA announced plans yesterday to build a $12.7bn (£6.9bn) international airport that it hopes will become the air transport hub of north-east Asia, AP reports from Seoul.

The airport would handle up to 100m passengers a year and would be built on a tidal flat between two islands off Inchon, the western port which serves as South Korea's main trade base with China.

Financing for the project, however, is expected to cause concern since the country's economy continues to be troubled by a high inflation rate and a large trade deficit.

Construction of the airport and its terminals and roads would be completed in 2020, said officials from the Transportation Ministry, which drafted the plan. The airport would have four runways capable of handling 700,000 flights a year.

The officials said South Korea needed a new international airport to meet the growing demand for transport between South Korea and China.

Arafat aide shot dead in Paris

A security aide to Mr Yassir Arafat was shot dead in Paris yesterday, and the leader of the Palestine Liberation Organisation charged that he was assassinated by Israeli secret agents, Reuter reports from Paris.

Mr Atef Bseiso was killed outside the Meridien-Montparnasse hotel in the south of the French capital soon after midnight. Mr Arafat said the attackers, who used a silencer, belonged to Israel's Mossad intelligence service.

Israeli prime minister, Mr Yitzhak Shamir, said he knew nothing about the killing. Mr Shamir's spokesman, Mr Ehud Gol, said Mr Arafat's allegation was "totally and completely ridiculous."

Kenyans register for elections

Kenyan president Daniel arap Moi led thousands of Kenyans registering as voters for multi-party elections yesterday despite opposition calls for a boycott, Reuter reports from Nairobi.

Mr Moi said election officials would "ensure that the polls would be conducted freely and fairly."

The main opposition Forum for the Restoration of Democracy (FORD) called on Kenyans not to register until an independent all-party electoral commission had been formed.

The government said the registration of about 10m voters would take 30 days.

Mr Moi has yet to announce an election date, but according to the constitution, they must be held before next March when the term of the present parliament ends.

Mali president sworn in

History professor Mr Alpha Oumar Konare was sworn in yesterday as Mali's first democratically-elected president and immediately told the people of the poor West African country not to expect miracles, Reuter reports from Bamako.

The ceremony, punctuated by wild applause from 3,000 guests, was held in the same Palace of Culture where Mr Konare's ousted predecessor, Gen Moussa Traore, is on trial for "blood crimes."

Mr Konare, aged 46, easily won last April's elections although only 20 per cent of Mali's voters bothered to turn out for the country's first free presidential poll since independence from France in 1960.

Thai alliance seeks to name PM

Thailand's pro-army coalition, which sparked off days of bloody mass protests by putting unelected ex-general Suchinda Kraprayoon into power, insisted yesterday it still had the right to name the next prime minister, Reuter reports from Bangkok.

"As a majority we should have the option to form a government," Mr Narong Wongwan, leader of the largest parliamentary party, said after a meeting of coalition parties in a Bangkok hotel.

"The coalition parties reiterate our unchanged support for Somboon Rahong as prime minister," he said.

Mr Somboon, a retired air chief marshal, emerged as the coalition's candidate after the resignation of Mr Suchinda on May 24 left the 57m people without a political leader.

Rwanda agrees to peace talks

Rwanda's government and rebels signed an agreement yesterday to hold a full peace conference, probably in Africa, to try to end nearly two years of civil war in the central African nation, diplomats said, Reuter reports from Paris.

The agreement followed three days of talks in Paris between the government and the rebel Rwandan Patriotic Front (RPF).

Mr Jean-Marie Bianny of the Rwandan embassy in Paris said: "We think they have determined the agenda and the venue (for the conference), probably an African country."

Japan's upper house passes UN peace troops bill

By Stefan Wagstyl in Tokyo, and Reuter

JAPAN'S upper house of parliament approved early today a controversial bill that would allow Japanese troops to serve abroad in peace-keeping missions for the first time since the end of World War Two.

The bill, voted in plenary session by 137 against 102, now goes back to the more powerful lower house for final approval. The 252-member upper house passed the Peace-Keeping Operations Bill two hours after reconvening a full midnight session, a parliamentary spokesman said.

The bill, which had been subject to continuous filibustering tactics by opposition parties, would allow Tokyo to send up to 2,000 soldiers abroad to trouble spots as United Nations peace-keepers.

The diet's upper house had spent three successive all-night sessions on interminable procedural motions.

To the annoyance of many Japanese, the politicians' tactics have reduced debate over a serious revision in foreign policy to a farce. The ruling Liberal Democratic Party together with two small centrist parties has a majority in the chamber. But it had held back from forcing a vote for fear of being accused of cutting short deliberation of a very sensitive bill.

So, the opposition Social Democratic and Communist parties have run riot with the Diet rule-book. Knowing that procedural motions take precedence over substantive ones, they filed no less than eight no-confidence motions.

They have then prolonged the voting through a technique called the "ox-walk" in which members edge their way toward the ballot box an inch at a time.

By yesterday afternoon, opposition members had perfected their technique to the extent that a single vote took a record 13 hours and three minutes, exceeding a record 11 hours 37 minutes set on Saturday.

The votes were taking so long that Diet officials relaxed a rule which required members to ask special permission of the chairman if they wished to go to the toilet during a vote.

Television viewers were treated to the unedifying spectacle of scores of their elected representatives sleeping on the job.

Other film clips showed aides bringing piles of packed meals into Diet waiting rooms.

The Diet's press office was flooded with "countless" calls protesting about the waste of taxpayers' money.

The marathon has taken its toll on members, many of whom are elderly. The oldest parliamentarian, Mr Tadashi Yaoita, who is 87, was applauded in the chamber when he staggered to the ballot box.

The bill's tortuous journey through the Diet reflects the deep divisions it has caused in the country between those who believe that Japan must play a bigger role in world affairs and those who think sending troops abroad would infringe Japan's peace constitution.

A special force was on alert in Jakarta yesterday as Indonesia's armed forces commander warned of trouble from extremists in today's polls

Jakarta struggles to control its deregulation

Indonesia's test of economic management may have just begun, says **William Keeling**

INDONESIA, a centrally controlled, bankrupt economy in the mid-1960s, has emerged into the 1990s with a 20-year record of economic growth. However, there are signs that the government, which is certain to be returned to power in today's general election, is struggling to control the deregulated economy it has fashioned.

Deregulation began in earnest in 1983, supported by the Asian Development Bank and the World Bank and prompted by the collapse in crude oil prices. With oil and gas accounting for 80 per cent of Indonesia's export revenue in 1982, the country was faced with a crisis.

The subsequent rise in non-oil-and-gas exports and imports reflects both the success of deregulation and the problems the government must confront: exports have risen from $5.9bn (£3.24bn) in 1984 to $17.6bn last year, but imports have shown a concomitant rise from $13.9bn to $23.4bn.

Oil and gas last year accounted for just 39 per cent of total export proceeds, but the cost of change is reflected in a 180 per cent rise in public external debt since 1983 to $50bn. Servicing public debt this year is expected to cost $7.3bn, or about 24 per cent of total export proceeds.

As a result, Indonesia relies on foreign aid to cover a current account deficit which reached $4.48bn last year and which donors expect to be $4.8bn in 1992.

Dr Radius Prawiro, senior economics minister, says the deficit "compares favourably with other developing countries. Our deficit of 3.5 per cent of gross domestic product (GDP) compares with some 9 per cent for each of Malaysia and Thailand." He admits, however, that the deficit almost ran out of control last year and would have been $8bn had the government not stepped in to cool the economy.

Indonesia is ready to leave the ranks of the world's poor and nearly double the income of its population by the end of the decade, the World Bank said, Reuter reports from Jakarta.

However it is a formidable task and Jakarta must open up its economy, be more efficient, improve local infrastructure and deal with a huge current account deficit and foreign debt, it said in a confidential report obtained by Reuters.

Foreign donors will have to continue large-scale aid, at least in the short term, to help Indonesia pursue its widely-praised economic programmes.

The government's problem was that deregulation, particularly in the banking industry, had prompted a surge in private sector activity. Domestic bank credit grew 156 per cent between the end of 1988 and December last year to Rp113,608bn ($56bn). Private overseas borrowing has increased from $14bn in 1989 to $25bn.

The government acted to curb foreign borrowing last September when it announced a review of state-related projects worth $79bn. The government also set ceilings for new foreign borrowing for the banking sector of about $2bn for each of the next five years.

INDONESIA'S EXPORTS AND IMPORTS
($m, excluding oil and gas)

	1986	1987	1988	1989	1990	1991
EXPORTS (fob)						
Japan	1.2	1.8	2.7	3.6	3.3	3.6
Singapore	0.8	1.1	1.5	1.9	1.6	2.2
US	1.8	1.2	1.7	2.0	2.4	2.9
EC	1.3	1.4	2.1	2.4	2.9	3.5
Total Exports	6.5	8.6	11.7	14.0	14.9	17.6
IMPORTS (crate/freight)						
Japan	3.2	4.4	4.2	4.1	5.4	7.4
Singapore	0.4	0.5	0.6	0.6	0.7	0.8
US	1.8	1.2	1.7	2.0	2.4	2.9
EC	1.8	2.4	2.2	2.4	3.9	4.4
Total Imports	9.8	11.6	12.7	14.8	19.5	23.4

Source: Bank Indonesia

This followed a tightening of money supply in February 1991. But the action was late and with Indonesia already nudging credit ceilings on the international capital market, unnecessarily strong.

Bank sector credit is only expected to grow 14 per cent this year. When a forecast inflation rate of 8 per cent, down from 9.2 per cent last year, and an expected 6 per cent depreciation of the rupiah against the dollar is taken into account, real credit growth may even be negative. The tightening of the money supply pushed lending rates up to 30 per cent. This in turn increased company costs.

"Companies are very pessimistic," says Dr Mari Pangestu, senior economist at Jakarta's Centre for Strategic and International Studies. "A lot of the conglomerates expanded and diversified when there was a lot of money. Perhaps the greatest concern after the high interest rate is a string of company failures."

Last year, two companies, Mantrust and Bentoel, reneged on debts totalling $770m. The government has since relaxed money supply, but lending rates have remained high at 24 per cent, not because of bank illiquidity but because of a perceived high lending risk.

Banks are concerned that many loans made during the 1988-90 credit boom were not invested efficiently. The central bank estimated bad and doubtful debts of the banking sector in 1991 to be 5.9 per cent of total loans, up from 3.9 per cent in 1990.

Economists at donor agencies, however, say the bad debts of the five state commercial banks which dominate the sector range from 15 to 25 per cent of their portfolios, and that many banks are providing less than 1.5 per cent of performing assets for bad debt. A worst-case scenario would see further company failures exposing a critically weak banking sector.

But this is to discount the government's record of economic management and the underlying dynamic of the economy, which, with new export-orientated manufacturing production coming on stream, remains strong. The recent rise in prices of crude oil should also improve export earnings.

Donors will be pushing for further deregulation to unleash growth, particularly in the agricultural sector. Government ministers say that the issue of private companies being given monopoly rights over certain farm produce will be tackled within 12 months.

Two such companies are headed by children of President Suharto, which has led to doubts over the political commitment to deregulation within the administration. Government officials insist, however, that a further tranche of tariff and trade deregulation is imminent.

The Asian Development Bank recently forecast GDP growth for this year at 6.7 per cent, the same as last year. The report stressed, however, that "exploiting the country's considerable potential will require a continued commitment to transforming the economy." Raising per capita income, estimated by the World Bank at $570, will be a slow task.

With consolidation among domestic banks and reduced credit on the international capital market, future growth must come from increased productivity. The government's test of economic management may have only just begun.

Philippines fails to deliver power to the people

SOME RESIDENTS of metropolitan Manila are not exaggerating when they complain these days that in this age of laser technology they still cannot enjoy the simple benefits of electricity.

Because of a severe supply shortage, power is rationed among industrial and residential users in the Philippines' main island of Luzon, including Manila and its suburbs.

Mrs Corazon Aquino, Philippines' prime minister, last week ordered government agencies to cut red tape and speed approvals for new power plants to ease the power crisis which is hampering economic development plans.

The severe shortage of electricity has hit the economy harder than any of the natural calamities that have befallen the country recently, writes **Jose Galang** in Manila

Present plants are either old or inefficient so that they break down more often than usual. Drought has stalled production at hydroelectric plants, which account for much of available capacity.

The effects of the crisis have been more devastating to the economy than any of the natural calamities – a killer earthquake, the mammoth eruption of Mount Pinatubo, and a string of "super-typhoons" – that have befallen the Philippines recently.

The plants run by state-owned National Power Corporation (Napocor) meet only three-quarters of the daily demand of some 3,150 MW on weekdays.

Power cuts, or "brownouts", have already cost Manila industries some 20bn pesos (£465m) in the first three weeks of May alone, according to Mr Raul Concepcion, head of an inter-agency task force monitoring the situation.

A 620 MW nuclear power plant, completed towards the end of the administration of ousted president Ferdinand Marcos, was ordered mothballed by Mrs Aquino because of suspicions of corruption in its financing and questions over safety However, no new capacity was put up in place of the nuclear plant.

The crippling electricity shortage has kept the local business sector edgy over prospects of resulting aberrations in operating costs and markets. Some industries are said to be contemplating laying off up to 150,000 workers if the long power interruptions continue.

More importantly, the situation could again militate against efforts to attract foreign investment, considered essential for the fledgling economic recovery to be sustained.

For the short term, the solution seems to lie on the installation of gas turbines and transportable diesel-powered plants. But being petroleum-fired these tend to be costly to operate over long periods.

A plan for privatisation of Napocor plants, or even the awarding of maintenance contracts to private groups, is being closely studied and much is expected from the build-operate-transfer and build-own-operate schemes offered to entice private groups into power generation.

Mr Wencesalo de la Paz, presidential energy adviser, says that Napocor is providing for a 7 per cent annual increase in capacity starting this year. By 1993 it expects to put on line 800 MW and by 1994 another 600-700 MW is due. If these new plants are put in place as planned, there should be a buffer of about 900 MW by 1994, which could allow Napocor time for maintenance shutdowns to upgrade its facilities.

Investors, however, may not be willing to wait that long.

Israel allows limited travel from Gaza

By Hugh Carnegy in Jerusalem

THE Israeli authorities yesterday allowed Palestinians from the occupied Gaza Strip to go to work in Israel for the first time in 15 days, but introduced tough new measures to cut down sharply on the number eligible to do so.

Only a few thousand workers will initially qualify to cross into Israel under the amended regulations compared with the 30,000 to 40,000 who did so before the closure. Yesterday, only a few hundred had the necessary permits.

Employment in Israel, chiefly in the construction industry, is the main source of income for the 750,000 inhabitants of the impoverished strip. Israel sealed it off following the fatal stabbing by an unemployed Gazan of an Israeli schoolgirl near Tel Aviv on May 24, despite army concerns that the move would fuel further violent unrest in the territory.

Those allowed entry will be restricted to people over 28 years of age employed in places where at least 10 Gazans work together.

Their Israeli employers will be required to collect them from exit checkpoints – Gaza is fenced – and deliver them back after work.

They will have to carry a special red permit, in addition to at least three sets of written permits already required to work in Israel.

Mr Hanan Rubin, spokesman for the Civil Administration, the military government in Gaza and the West Bank, said it was intended to increase the numbers allowed back into Israel over time, according to the situation.

However, Mr Rubin said the red permit and the requirement for all workers to be collected and returned by their employers would be permanent measures.

He said it was also possible that the lower age limit of 28 would remain permanently in force.

The Gaza Strip has been the most militant area against Israeli rule.

Malaysian minister to explain share deals

A MINISTER accused of misappropriating shares in Malaysia's largest listed company will be asked to explain his actions to the cabinet next week, Prime Minister Mahathir Mohamad said yesterday, Reuter reports from Kuala Lumpur.

Mr S.Samy Vellu, minister of energy, telecommunications and posts, will be asked to give details of the sale of 9m shares in Telekom Malaysia, Mr Mahathir told reporters.

Mr Samy Vellu, president of the country's main Indian party, the Malaysian Indian Congress (MIC), has said the proceeds from the share sale went to a college he helped set up.

Opposition leader Mr Lim Kit Siang accused Mr Samy Vellu last month of "hijacking" 9m of 10m shares originally allotted to MIC's investment arm Maika Holdings.

The 9m shares were later taken up by three companies and sold for a profit of 7.16m ringgit (£1.5m). They would have been worth over 117.9m ringgit at yesterday's prices.

Poll resolves Lebanon power struggle

By Lara Marlowe in Beirut

A POWER struggle for the leadership of Lebanon's main Christian political party, the Phalange, was resolved peacefully yesterday with the re-election of Mr Georges Saadeh, a parliamentary deputy and minister of posts and telecommunications.

At stake were the participation of the Maronite Catholic party in prime minister Rashid Solh's government and a boycott of this summer's parliamentary elections.

Mr Saadeh's victory indicates a degree of acceptance by Maronites of Lebanon's Syrian-backed government and constitutes a severe setback for his opponent, Dr Samir Geagea, the leader of the "Lebanese Forces" Phalangist militia.

The Lebanese army last week seized heavy weapons stored illegally by the militia at Amchit and Jeita.

The Maronite synod opposes general elections while Syrian troops remain in Beirut. Had Dr Geagea won the Phalange party leadership, the Maronite community – about 30 per cent of Lebanon's population – would probably have boycotted the elections.

Mr Saadeh has not defined his position on the issue, but is likely to encourage his followers to vote.

Dr Geagea abandoned a career as a medical doctor to become a militia leader. He was named minister without portfolio in the Lebanese government formed last month, but resigned within hours to protest at the predominance of pro-Syrian ministers in the cabinet.

Mr Saadeh maintained the Phalange should "be present at the heart of Lebanese political life" regardless of the imbalance. He felt that his party's absence would further isolate the Maronite community which was torn by the 1990 war between Dr Geagea and rebel Gen Michel Aoun. When Gen Aoun was defeated by Syrian forces in 1990, many Maronites felt humiliated by the deployment of Syrian troops in the Christian enclave.

The Phalange was founded by the late Sheikh Pierre Gemayel in 1936.

Relations between the party and the militia have been strained in recent years as the political and military branches vied for leadership of the Maronite community. With yesterday's election, the power of the militia was further diminished.

ABB-led group wins $1.8bn Abu Dhabi deal

By Ian Rodger in Zurich and Haig Simonian in Milan

A CONSORTIUM led by Asea Brown Boveri (ABB), the Swedish-Swiss engineering group, has won a $1.8bn (£980m) order to build an oil-and gas-fired power station and the world's biggest water desalination plant in Abu Dhabi.

The Al Taweelah-B power station will consist of six steam turbine units of 125MW each. The desalination plant will produce 75m gallons of drinking water a year.

Completion of the power plant, raising Abu Dhabi's generating capacity by about a third, is scheduled for 1994. ABB's part of the deal is worth $975m, with work to be carried out mainly by its subsidiaries in Germany and Italy.

The $550m desalination plant will be built by the Iritecna subsidiary of Italy's state-owned IRI holding group; Six Construct of Belgium will do the civil engineering.

Mr Göran Lundberg, ABB executive vice-president in charge of power plants, said: "In the past six months, we have taken in $5bn in orders, against $6.4bn in the whole of last year".

Mr Fulvio Tornich, managing director of Iritecna, formed this year from a merger of IRI's Italimplanti and Italstat subsidiaries, said the deal was one of the biggest for an Italian company for desalination equipment in the Middle East.

● European Marine Contractors, a joint venture between Italy's Saipem group and Brown & Root of the US, has won a L650bn (£294.9m) contract to lay 900km of pipeline for a consortium led by Statoil, the Norwegian state oil group.

The order, believed to be one of the biggest of its kind in the North Sea, is for part of the Zeepipe project, to link gas finds from the Troll and other Norwegian fields to the coast via a 40in-wide pipeline laid at depths of 350 metres.

Work on the contract, including options for other pipelaying, starts next year and should finish in 1995.

Finland aims to put its house in order ahead of EC entry

By David Dodwell, World Trade Editor

FINLAND is to remove barriers to foreign investment, and privatise state-run industries before entry into the EC in 1995, according to Mr Pertti Salolainen, deputy prime minister and trade minister.

"We want to build confidence both internally and abroad that Finland will be a full partner in the EC, a reliable partner which can deliver," Mr Salolainen said. "We are ready to make sacrifices to put our house in order." Inward investment would be "totally free" by the end of this year.

The country's determination to join the EC appears unaffected by Denmark's recent referendum threatening the EC's integration plans as formulated at the Maastricht summit late last year. "We don't expect the EC to rein in on commitments, despite Denmark's referendum," Mr Salolainen said.

He expected the EC's answer to Finland's request for full membership to be ready by the end of this year, with 1993 dedicated to detailed negotiations for Austria, Sweden and Finland. A national referendum on the terms of entry into the EC will be held in 1994; full membership is timed to come into effect at the beginning of 1995.

Finland has over the past two years been thrown into deeper economic turmoil than at any time in the past 40 years. The collapse of trade with the former Soviet Union, which until two years ago made up 26 per cent of exports, coincided with recession in its two main western markets, the UK and Sweden.

Reorientation of the economy started last year with a 14 per cent devaluation of the Finnish markka. This alone has boosted exports by between 10-15 per cent, and improved competitiveness by 20 per cent since the low point of the third quarter last year, Mr Salolainen said. The improvement is urgently needed, since trade collapsed by 19.2 per cent last year, from $27.0bn (£14.8bn) in 1990 to $21.8bn in 1991.

"We had a bit of bad luck in all directions," Mr Salolainen added. Trade with the former

Salolainen: lifting barriers

Soviet Union, which used to account for a large share of Finland's energy imports and a big proportion of its exports of textiles and clothing, shoes and leather goods, has slumped to 3 per cent of total trade.

Strategy towards the former Soviet Union will now focus on the Baltic states, mainly Estonia, training east bloc business leaders, enhancing farm output, and cleaning up the environment. Finland sees itself as a "gateway" to the eastern bloc, and is trying to attract investment for a road linking Poland and the Baltics to the St Petersburg area.

Its nationalised petroleum company, Neste, is evaluating Russia's energy resources, while the Pöyry consultancy company has been asked to draw up a plan for forestry in Russia and the Baltics. Since the former Soviet Union is expected to recover so slowly, Finland has focused on diversifying its trade with the west.

Sales to east Asian markets, including China, have risen strongly, from a monthly average of $90m in 1991, to an average this year of $111m. While Germany has in the past year overtaken the UK and Sweden to become the country's leading trading partner, Mr Salolainen said Britain remained a top priority.

"It will take a couple of years, but I'm sure that we can put our house in order by the time we enter the EC," he concluded.

Nafta talks near accord on vehicle content rule

By Nancy Dunne in Washington and Bernard Simon in Toronto

NEGOTIATORS from the US, Canada and Mexico are reported moving towards agreement on a domestic content rule for vehicles that will provide tariff-free status for cars sourcing 60 per cent of their output in North America.

Canada's agreement to the rule, reached last week, was apparently secured when US and Mexican officials agreed to a liberalised rule of origin, exempting from import duties vehicles produced by some foreign-owned plants in Canada. The new rules would include in local content some expenses at present disputed. Thus, the cost of interest would be included up to a pre-determined limit.

After intensive talks last week, Nafta chief negotiators were vague about progress. Mr Julius Katz, deputy US trade representative, said: "You make a great mistake latching on to a single number or a single fact," but he did not deny the report that a car deal had been secured. Negotiators made "pretty satisfactory progress", with some areas "near closure and others still unresolved for political reasons," a trade consultant said.

Work continues this week and next on technical problems, before trade ministers meet in Mexico to resolve the toughest issues.

Financial services, energy, textiles, and foreign investment remain the most difficult areas.

UK to boost exports to N America

By David Dodwell, World Trade Editor

BRITAIN aims to increase its exports to North America by £3bn by 1995 through a trade campaign to be launched next year, Sir Derek Hornby, chairman of the British Overseas Trade Board (BOTB), said yesterday.

The campaign aims to lift Britain's share of North America's non-oil imports by 25 per cent, from 4.3 per cent in 1991 to more than 5 per cent or £16bn. It will be at the core of an export promotion strategy targeting a total of 54 markets, half of them in the priority areas of western Europe, North America and east Asia.

Sir Derek was presenting the annual report of the BOTB, combined for the first time with the board's plan for shaping the government's export promotion programme for the year ahead. Mr Michael Heseltine, minister for trade and industry and president of the BOTB, said he was "reviewing all factors that add up to the competitiveness of UK industry". He warned of signals that UK industry was "overpaying itself", but did not expect to find any "quick fixes" to boosting export performance.

In western Europe, which accounted for almost 65 per cent of UK exports in 1991, the government plans to target *commercial environmental* technology and car components, with the most initiatives in France, Germany, the Netherlands and Sweden. In Japan, where the UK accounts for just 2.2 per cent of imports, the "Priority Japan" campaign continues to focus on "perhaps the best business prospect among the OECD markets". The rest of the Pacific region is also targeted.

Japan's chip makers get down to brass tacks

US industry sees changing attitudes, writes Steven Butler, as Washington anger grows

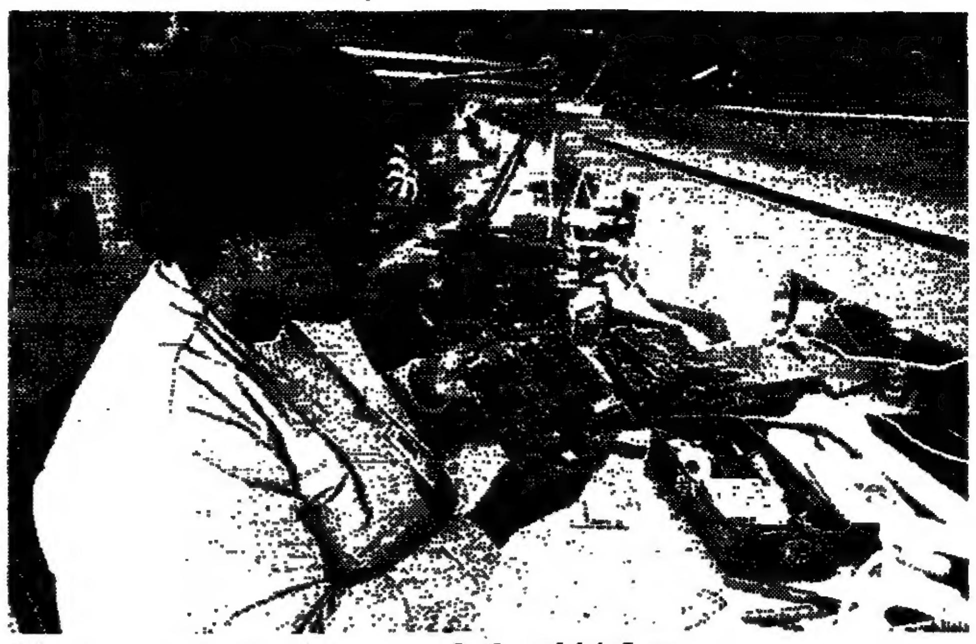
THE US semiconductor industry could not have hoped for a more positive outcome from last week's semiconductor talks in Japan. For the first time in over a decade of trying to break into the Japanese market, the US industry obtained a public pledge from Japanese counterparts in private industry on specific measures to increase rapidly the purchase of foreign semiconductors.

The Japanese said before the talks that they were already doing everything possible to boost purchases of foreign-made chips. Yet, now, the 10 biggest buyers have agreed to release to US companies the detailed semiconductor purchase plans that are normally protected as commercial secrets and seem far more committed to making something happen.

The change in attitude is not simply a response to the stagnation of foreign semiconductor sales in Japan for the past two years: the Japanese today are facing a US industry that has strong political backing in Washington, raising the real possibility that trade sanctions may be imposed if the market share in Japan of foreign companies does not rise significantly from the 14.4 per cent recorded in 1991.

The US and Japanese governments agreed that this share should rise to 20 per cent by the end of this year. Although the Japanese say that the 20 per cent was not a promise or pledge, anger is growing in Washington that no progress has been made toward reaching the target.

An inter-agency study of the agreement's implementation, under Mrs Carla Hills, the US trade representative, is due in August as the US election campaign moves into high gear. The Japanese need to demonstrate that the agreement was more than an empty. "I believe the Japanese companies are concerned that sanctions are right behind (if nothing happens)," said Mr James Norling, president of Motorola's semiconductor group and vice-chairman of the US Semiconductor Industry Association.



Chips with everything: US producers prepare for the push into Japan

Beyond the threat of government action, however, big Japanese companies have more reason than ever to co-operate and boost US semiconductor sales in Japan because the balance of commercial power between the Japanese and US semiconductor industries has subtly shifted. Mr Wilfred Corrigan, chairman of LSI Logic, said: "The big guys who can pull this off are the ones who stand to benefit if trade friction improves, and stand to lose most if trade friction heats up."

Mr Norling and Mr Corrigan argue that the Japanese industry had been in a much stronger position. Japanese companies gave a terrible thrashing to the US industry as they strove to achieve complete domination over the market for dynamic random access memory chips, a key memory device used in all personal computers and a whole range of electronic devices. But, after driving most US companies out of the field, Japan's victory proved pyrrhic.

A rapid rise in the production of high-capacity memory chips in Korea and Taiwan helped to drive down world prices to where Japanese companies are unable to make returns on their investment. Japan's big chip producers have recently reported steep declines in profits. The US hold on the market for higher value-added products like microprocessors has grown tighter. Mr Corrigan says: "The good parts of the business are extremely intellectual property intensive." And this where the US companies excel.

With increased vulnerability, the Japanese companies are more concerned than before about any possible loss of the US market, and concerned about any developments that could affect their access to technology in the US. Indeed, Mr Norling and Mr Corrigan argue that even the US computer makers would not be harmed by trade sanctions that stemmed the flow of Japanese Dram chips, because sufficient production capacity could be found elsewhere.

The US computer industry would probably disagree, but the renewed confidence of the US semiconductor industry and the vulnerability of the Japanese are clearly reflected in last week's agreement.

There is, of course, no guarantee in the agreement that US chip sales will rise. The Electronic Industries Association of Japan is to tell all its 62 members to increase purchases of US chips at a rate faster than that of Japanese chips as the market enters its expected recovery phase later this year. The Japanese companies, where purchase decisions are typically made by local plant managers, are to send letters to employees telling them that company policy has changed.

The measures may appear toothless, and smaller chip-buyers may never feel much pressure to wean themselves off their traditional Japanese suppliers, who are desperate for sales in today's depressed market. Yet the US side is now counting on the biggest 10 companies, who account for 50 per cent of the market, to do more than their share. Most of these companies purchase more than 20 per cent of their semiconductors from foreign companies; they may now have to push this ratio much higher to ensure trans-Pacific peace.

Mr Shinichi Itoh, vice-president at NEC, the Japanese electronics company, said that access to the market would also be improved for European makers, although nothing specific was on offer. Yet Mr Corrigan poured scorn on European complaints that the US was getting preferential access. "The degree of enthusiasm of the European companies to penetrate the Japanese market does not seem to be very high," he said. European companies had no reason to grouse while they stood protected behind a 14 per cent tariff barrier.

US and Russia race to secure N-arms accord

By George Graham in Washington

RUSSIA and the US yesterday made a final effort to bridge differences on nuclear disarmament in time for an agreement to be concluded at next week's summit between Presidents George Bush and Boris Yeltsin.

Mr James Baker, US secretary of state, and Mr Andrei Kozyrev, Russian foreign minister, met in Washington yesterday in a bid to decide on how to cut their nuclear weapons forces beyond the levels to which they are already committed by the Strategic Arms Reduction Treaty (Start) signed last year.

Mr Kozyrev said the two countries had a "unique opportunity to make a major step beyond the Start treaty". His US counterpart, however, warned that the gap between the two remained wide.

"We're not there yet. We've got some substantial ground to cover," Mr Baker said.

Start set a limit of 6,000 warheads on each country's strategic nuclear arsenal, although differences in the way these are counted under the treaty would mean the actual number of warheads would be higher.

As the Soviet Union crumbled last year the US proposed to cut the number of warheads to 4,700, with the elimination of all land-based multiple warhead missiles.

The US is particularly keen to eliminate the Russian SS-18 missiles, which carry 10 warheads each.

Russia countered with a suggestion for an even deeper cut to 2,500 warheads that would also eliminate submarine-launched multiple warhead missiles.

While the two sides appear near agreement on a number close to the US proposal of 4,700 warheads, they remain far apart on the type of missile *that should be cut.*

US insistance on eliminating land-based multiple warhead missiles is based on the principle that these missiles are uniquely destabilising. This is because in theory it would be tempting to launch the missiles quickly in order to stop the enemy from destroying them in their silos with a first strike – the "use them or lose them" principle.

The argument is also, however, disingenuous. Since land-based missiles make up the bulk of the Russian nuclear arsenal, whereas the US strength is primarily in its submarine-launched missiles, a ban on land-based multiple warhead missiles would weigh disproportionately on the Russians.

There is some concern in the US that the Bush administration, by sticking to its demand for such an asymmetrical ban, may jeopardise the chances of winning *substantial nuclear* arms cuts.

"It would be foolish to forego the opportunity for steep reductions because you are hung up on a demand that isn't very realistic," said Mr Jack Mendelsohn, deputy director of the Arms Control Association, a Washington group monitoring disarmament issues.

Many arms control analysts believe it should not be beyond the wit of Mr Baker and Mr Kozyrev to craft a compromise – especially as any agreement *on deep cuts in the number of* warheads would force Russia at least to reduce its land-based multiple warhead missiles, since these make up such a large proportion of its total force.

Guerin funds went to prince's equerry

By Alan Friedman in New York, Tom Flannery in Lancaster, Pennsylvania and Richard Donkin in London

MR James Guerin, the former deputy chairman of Ferranti who will be sentenced to prison in the US today on fraud, money laundering and illegal military export charges, used Swiss bank accounts to transfer more than $1.2m (£650m) of stolen corporate funds to Sir David Checketts, a former private secretary and still-serving equerry to Prince Charles.

Until 1989 Sir David also worked as a London-based executive at Ferranti, the UK defence electronics group.

The disclosure, contained in a *court filing* by US prosecutors, also states that Sir David – who has not been accused of wrongdoing – was interviewed last year by Britain's Serious Fraud Office (SFO) in connection with the fund transfers.

Mr Guerin, who in 1987 sold International Signal and Control (ISC), a Pennsylvania defence company, to Ferranti, will be sentenced *on charges of* defrauding Ferranti of $1.1bn, engaging in $950m of money laundering and illegally exporting military technologies to South Africa and Iraq.

Sir David, who *last night* was advised by his solicitor not to comment on the matter, resigned in 1989 as the managing director of ISC Technologies Ltd, a UK affiliate of the ISC-Ferranti group. He first joined ISC in 1979 and served as an international marketeer of defence electronics, aerospace products, missile systems and educational equipment. Sir David, aged 62, who served as private secretary to Prince Charles between 1970 and 1979, remains an extra equerry to the prince. This post was described by Buckingham Palace last night as "a very part-time position".

In 1989 Sir David denied any knowledge of the ISC fraud and said his resignation from the Ferranti group was "not directly" related to the ISC affair.

According to the US court documents Mr Guerin "invested substantial sums with another business associate and executive of ISC, Sir David Checketts. During the period 1986 through 1988, Guerin disbursed $1,258,510 to Penselworth Ltd… a company formed by Checketts to invest in a shuttle air service and a printing company".

A US official said the $1.2m *transferred by Mr Guerin to Sir* David's company in the UK was part of the stolen corporate funds included as part of the conspiracy section of the indictment of Mr Guerin. The indictment says these included funds diverted from ISC for Mr Guerin's "personal benefit and the benefit of others, including payments to relatives, friends *and business associates*".

The documents further show that Sir David received the funds in six transfers to accounts at Barclays Bank in the UK from Swiss bank accounts opened by Mr Guerin in the name of fictitious entities with names *such* as Severn, Loreo, Held and Rovigo.

The SFO last night confirmed it had questioned Sir David last year and said: "Even though our investigation is still technically open, we are satisfied that those indicted in the US are the primary defendants to the allegations *of* fraud with which this office is concerned."

In London, Ferranti declined to comment on the matter.

Panamanian protesters await visit by Bush

PANAMANIANS from jobless slum dwellers to wealthy businessmen plan to make their grievances known to US president George Bush when he visits on *Thursday for* the first time since he ordered an invasion of their country, Reuter reports from Panama City.

All of them accuse the White House of doing too little to resolve lingering problems caused by the December 1989 military strike that toppled strongman General Manuel Noriega and killed at least 520 Panamanians.

"There are a lot of people in Panama who feel that the US should continue giving to this country, that the aid hasn't been sufficient," said a senior Latin American diplomat.

"They'll take advantage of Bush's visit to ask for more."

On the surface, Panama's post-invasion recovery looks sound.

But prosperity over the past 2¼ years has failed to reach much of the population.

Unemployment in the port city of Colon has climbed to 50 per cent by some estimates. In Panama City, where drug abuse has soared since the invasion, police are battling a crime wave that appears unlikely to go away soon.

And the country's image is tainted by incessant reports that money laundering has fuelled its booming construction and banking industries.

Collor signs treaty on greenhouse gases

By David Lascelles, Resources Editor, in Rio de Janeiro

THE Earth Summit has produced its first result, with the signing by Brazil's President Fernando Collor of one of two treaties being considered by the conference – on climate change.

The treaty aims to oblige countries to reduce emissions of greenhouse gases, particularly carbon dioxide, which are believed to result in global warming. But like most conference documents it has been widely denounced as ineffective, and some countries are exploring ways to strengthen it.

The crucial weakness is that it does *not impose any targets or deadlines on* signatory countries.

The original intention was to require that CO_2 emissions be reduced to their 1990 levels by the year 2000. But the US – worried about the economic impact – took exception to this and argued it was more important to concentrate on ways to cut emissions than on specific targets. As a result the treaty now only requires signatories to formulate plans "with the aim of" returning emissions to their 1990 levels.

But there are other provisions in the treaty to give it *clout*. For *example*, the industrialised countries which produce the greatest amount of CO_2 must produce their plans within six months of the treaty coming into force (which happens after 50 countries have ratified). Developing countries have up to three years.

The wealthier countries have also agreed to provide financial assistance and technology to Third World nations to help them deal with global warming.

But the precise terms on which this help will be given, and how much of it will be available, is still the subject of tough bargaining. There is agreement, though, that for now all aid will be channelled through the Global Environment Facility, a financing vehicle jointly administered by the UN and World Bank.

Signatories will also have to provide and regularly update information about emissions and plans for dealing with them. There will be two formal reviews of progress by all signatories before the end of the century.

Germany has offered to host the first.

Two constituencies which have welcomed the treaty in its softer final form are the Organisation of Petroleum Exporting Countries (Opec) and the business community.

Opec is still worried the treaty will lead to carbon taxes and other measures to curb use of oil, but the threat is now reduced. The International Chamber of Commerce feels the treaty is a good thing now it is less restrictive. Mr Michael Kohn, chairman of the ICC energy commission, described it as "a realistic and significant step forward".

But many countries wish it was tougher. Ms Ruth Feldgrill-Zankel, the *Austrian environment* minister, is trying to drum up support for a "declaration of like-minded countries" who would voluntarily subscribe to tighter targets. "I was convinced from the beginning that we should give clear signals," she said. *She has the backing of* Switzerland and the Netherlands, but other potential supporters are not keen on side declarations.

Mr Klaus Töpfer, the German environment minister, regretted the treaty "unfortunately does not contain an adequately binding commitment to CO_2 stabilisation". But he pointed out that EC countries have already set stabilisation targets.

IN an apparent attempt to seize the initiative and fill the Earth Summit's leadership vacuum, Mr Klaus Töpfer, the German environment minister, said yesterday he was leading a move for an EC declaration on stronger action to reduce carbon dioxide emissions, writes Christina Lamb in Rio de Janeiro.

He also called on other countries to commit themselves to stabilising emissions by the year 2000 and for action to be taken by signatories before the convention becomes effective. He said he would like to see EC and EFTA countries joining forces on the issue.

A senior EC official confirmed yesterday that the Community was preparing a statement calling for immediate action on emission reduction to be read by Mr Aníbal Cavaco Silva, the Portuguese prime minister, when he signs a treaty on climate change later this week.

A joint European move emphasising dissatisfaction with the climate change treaty, which was weakened to accommodate American concerns, would increase US isolation at the summit.

US fears of this were highlighted when Mrs Ruth Feldgrill-Zankel, the Austrian environment minister, confirmed she had received a cable from Washington requesting she drop moves for an initiative to strengthen the treaty.

She said the strongly-worded cable had been "based on a misunderstanding" and added that her initiative was "far from dead".

Reported incidents have fallen by 50 per cent in some of the more affluent suburbs

Stepped-up security slows crime rate

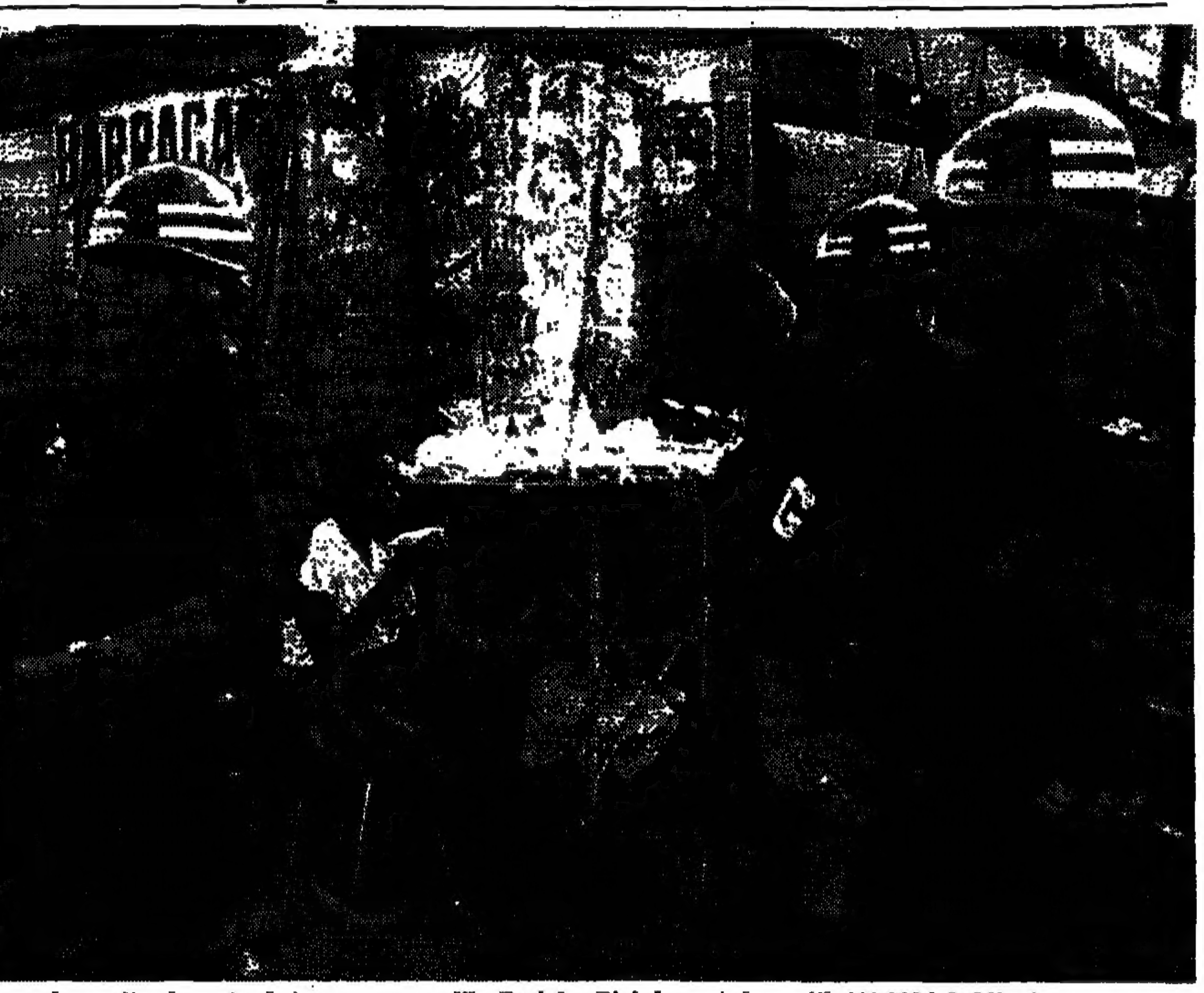
By Christina Lamb

DIARY

ONE of the benefits of the Earth Summit for local residents has been the spectacular drop in crime in Rio de Janeiro's smarter neighbourhoods. A combination of 35,000 army and police personnel and 10,000 extra hotel security guards has caused the number of reported incidents to fall by as much as 50 per cent in some areas.

Locals are already asking for the army to stay after the party is over, but the high command is fearful troops may be corrupted if they remain in contact with Rio for too long.

Not everyone is happy with the stringent security arrangements. Foreign correspondents are compiling a petition to protest about the assault on a Visnews television reporter by Brazilian security guards after he failed to stop when running with a tape to catch a satellite feed. "Brazilians assume that *only thieves run*," complains a colleague.



Increased security also extends to poorer areas like Rocinha, Rio's largest slum with 200,000 inhabitants

□ The current villain of the summit, US President George Bush, will, it transpires, be spending his birthday in Rio. Given the present isolation of the US adminstration, rotten tomatoes and protest banners are more likely to be the *order of the day on June 12* than cakes, candles and plaudits.

A taste of what is to come was made clear during an ecological march along the beach on Sunday at which the most polite banners carried statements like "Bush Lead or Get Out of the Way", "USA Join The World" and "You're Embarrassing US".

□ Journalists have been surprised at how freely US officials are handing out copies of the notorious leaked memo from Mr Bill Reilly, Environmental Protection Agency chief, which asks the White House to agree a "fix" on the *controversial biodiversity* treaty. Enemies at work trying to embarrass the man further? Apparently not. Insiders say Mr Reilly's supporters are distributing it in order to assert his green credentials and to try to shame the White House into a last-minute face-saving initiative.

Conference on fishing agreed

By Christina Lamb

EARTH Summit delegates are to hold a big international conference on the contentious issue of over-fishing and dwindling world fish stocks.

A Canadian-led move to increase international co-operation on the issue had been resisted by the European Community and Korea, but delegates at the Rio de Janeiro summit were finally persuaded by the argument that over-fishing contravenes the principle of sustainable development. A conference will be held next year under UN auspices.

Countries such as Canada, Iceland and many Latin American nations had voiced concern that foreign over-fishing on the high seas was depleting national fish stocks.

The main worry was over straddling stocks – fish that cross between the exclusive economic zones of different countries or between those zones and the high seas – as these are not included in the Law of the Sea regulation.

The Canadian delegation said it had voluntarily reduced its total allowable catch of northern cod by more than half to 120,000 tonnes in February and was likely to announce a new cut soon.

A resolution on a fishing conference will form part of Agenda 21, the global action plan on environment which is one of the main Earth Summit documents. The conference will not affect the Law of the Sea.

It's fun, fun, fun on Rio's fringe

By Christina Lamb

WHILE official Earth Summit delegates drily discuss strategy *in small fibreglass cubicles*, members of 2,000 non-governmental organisations are in green tents 30 miles away in a seafront park debating how they would save the planet.

A replica Viking ship bobs in the harbour. A group in black body stockings sing bossa nova while manipulating a large Muppet sat astride a leather bag. Stalls sell everything from Earth Repair Handbooks to Grow Your Own Mini Ecosystem kits. A blue fibreglass globe balanced on a cluster of iron bars spits and sizzles as its creator, Antenor Colussi, explains that it is generating ozone from a 48,000-volt box underneath. "This shows we can produce ozone and send it to the North Pole," he explains to mystified passersby.

This is the parallel conference, where everything from feminism to socialism to racism is on the agenda along with the environment. Inside the tents, groups discuss diverse topics such as "Breast-feeding is an Ecological Act", "Mental Pollution in the Inhabitants of Large Cities", "The *Culturing of Worms in the Process of Organic Fertilisation*" and "Zambian Women and Energy-Efficient Cook Stoves".

Everyone is here, from the World Bank to the Film-makers' Union of Kazakhastan, the Brazilian state mining company to the Socialist Youth, Olivia Newton John to the Grand Mufti of Syria. On the grass, orange-robed swamis sit crosslegged and meditate in the baking sun.

Sessions include workshops on alternative technologies, debates on climate change and discussions of the environmental problems of China and the sustainable development successes of countries such as Botswana and Costa Rica.

An Earth Parliament of spiritual leaders and parliamentarians has attracted such noteworthy participants as His Holiness the XIV Dalai Lama – who told crowds he was having "fun, fun, fun".

A daily meeting of engineers and architects is putting forward plans for an "Ecopolis" – the environmentally friendly city of the future. The designs look like giant beehives suspended over water where families live on shelves and park their boats underneath.

There is much to see, discuss, and even marvel at, but the Global Forum as it is known has not succeeded in its objective of pressuring delegates at the official conference. However, NGOs have had considerable input in the treaty formulation process before Rio and will be essential for monitoring governments to ensure they stick to what they sign.

The Forum, meanwhile, is facing financial difficulties. Still $2m short of the $11.6m (£6.3m) target to fund the Rio event, organisers are appealing for funds to "ensure that the legacy we leave is not one of debt – the very opposite of the goal of sustainable development."

Bad year for Colombian president

Power cuts and guerrilla warfare torment Gaviria as he waits to meet Major, reports **Sarita Kendall**

FOR Colombia's President *César Gaviria* – unlike the British prime minister to whom he plays host today and tomorrow – 1992 has been a bad year. As recently as four months ago, everything seemed to be going his way: his main economic and political reforms were in place and peace talks with Colombia's two main guerrilla groups were still alive.

Now electricity rationing, an escalating guerrilla war, a recalcitrant congress and hostile trade unions have contributed to a collapse in his government's popularity.

Power cuts of at least seven hours a day have been the main factor in reducing forecasts for economic growth this year: 2 per cent, barely enough to keep pace with population growth, instead of the 4 per cent previously forecast.

A survey by the association of small industries found that *four-fifths of companies* have had to cut production and one-fifth have laid off workers. Agriculture output has also been hit.

The direct cause – the country is 80 per cent dependent on hydro-electricity for its power – is outside the government's control: a prolonged drought. But bad planning, corruption, heavy debts and inefficiency have contributed immeasurably to the crisis.

Firm – if somewhat belated – handling of the electricity disaster has improved the president's standing. But, as he himself pointed out, sacking top officials and emergency measures to restore full power by the end of the year cannot compensate for economic and other losses.

On top of this, peace talks with guerrilla groups collapsed more than a month ago, resulting in an escalation in violence. Mr Gaviria, endorsing a military offensive against the groups, has said the aim is to force them back to the negotiating table.

However, the whole idea behind the peace process is being jeopardised by a judge who is asking for warrants to be issued against the leadership of the former guerrilla movement M-19, now converted into a political party after making peace with the government in 1989. The warrants are being sought in connection with the M-19 takeover of the Palace of Justice in 1985, in which more than 100 people were killed.

Faced with the dynamiting of power lines, air navigation aids, television transmitters and pipelines, as well as daily kidnappings and bomb explosions in cities, the majority of Colombians now rate the guerrilla war as the country's main problem.

Foreign *oil companies* are the main target for the National Liberation Army, one of the active guerrilla groups. Mr Major will be landing close to their territory when, as planned, he goes tomorrow to BP's big discovery at Cusiana in the Andean foothills northeast of Bogotá.

British investment in Colombia, especially in the oil sector, has grown significantly in the last decade. BP alone is spending $200m (£110m) on exploration this year. This presence, combined with Mr Gaviria's dedication to liberalising the economy, laid the foundation for talks between the two heads of government in the presidential guesthouse on the shore of Cartagena Bay.

Drugs – both heroin and cocaine – continue to be an important issue.

Colombia has a wide range of subjects on the agenda, particularly economic issues such as EC trade access and the revival of the coffee pact. Despite the slump in coffee prices to near 22-year lows, greater export volumes have kept Colombia's earnings close to last year's level.

Overall, export income was slightly down in the first five months of 1992, but this did not dampen growth of international reserves. The figure for reserves – $7.3bn last week – is more a discomfort than a joy, partly because it increases inflationary pressures.

Income from "tourism" rose from $139m in the first five months of 1991 to $391m in the same period this year, though the *tourist is a rare species in* Colombia.

Reserves are now forecast to grow by $2.2bn this year, instead of $1.2bn originally expected.

The *main reason* for the continuing inflow is the higher return on money in Colombia, together with a tax amnesty. Although analysts have given up trying to separate the bad money from *the* good, the tightening of banking legislation in the US to reduce money-laundering has probably helped encourage the return of funds.

The *administration is also* having one of the cornerstones of its economic policy chipped away by congress, despite a majority for Mr Gaviria's Liberals. This is tax reform designed to replace the fiscal income lost as a result of lowering import tariffs and to allow for transfers to local government required under the new constitution. But, even after frantic negotiating to push through a mutilated version of the reform, the outcome remains uncertain.

However, despite current setbacks, Mr Gaviria has already committed Colombia to the free market road and seems prepared to battle his way along it for the second half of his presidency.

Gaviria: military offensive against rebels

UK LOOKING TO LATIN AMERICA

The visit to Colombia by Mr John Major, the first to South America by a serving British prime minister, reflects a decision to assign more importance to Latin America in British foreign policy, according to UK officials, writes Stephen Fidler, Latin America Editor.

The increased interest in the region represented "a new departure in foreign policy", according to a senior official. Three government ministers, including foreign secretary Douglas Hurd, who visited Mexico last month, have already been to Latin America this year.

The move follows the shift to democracy by Latin governments and their abandonment of the import-substitution model of economic development, which had damaged trade relations. Now there was a convergence of interest between Britain and Latin America, the officials said. The success of liberal, market-friendly economic policies were already apparent in Mexico, Chile, Venezuela, Colombia and Argentina.

Mr Major will visit Cartagena, Bogotá and the Cusiana oil field before flying to the Earth Summit in Rio de Janeiro late on Wednesday. It is not his first visit to Colombia; he was there in 1984 as a government whip.

Mrs Margaret Thatcher attended the North/South summit in Cancun, Mexico, in 1981 but this was not an official visit to Mexico.

Quarterly credit figures show sluggish demand for new borrowing

Consumers repay £114m debts

By Emma Tucker, Economics Staff

BRITISH consumers continued to behave prudently in April paying back more than they borrowed on credit agreements excluding mortgages.

According to figures from the Central Statistical Office the demand for consumer credit shrank in the three months to April suggesting that people are still making the repayment of debts accrued during the 1980s a priority.

A survey by the market research company Gallup, however, suggests that consumer confidence picked up in May. In particular the survey found that the balance of people who thought the time was right for making big purchases, was the highest in a year.

The seasonally adjusted figures from the CSO, which do not include mortgages and account for about 15 per cent of total private sector debt, show that consumers repaid a net £114m in the three months to April, compared with net repayments of £293m in the three months to January.

In April, the latest monthly figure available, consumers repayed a net £56m on credit agreements with finance houses, building societies and on bank credit cards that are part of the Visa or Mastercard system. This compares with a net repayment of £71m in March and was the eighth month out of the last nine that net consumer credit has fallen.

The median forecast among City analysts was for outstanding credit to grow by £75m.

"The figures suggest that credit is very very sluggish and provide no evidence that people geared up after the April election," said Mr Keith Skeoch, chief UK economist at James Capel, the London Stockbrokers.

Although the overall net credit figure fell by £56m, it included an £83m rise in borrowing on credit cards in April. This probably reflected the 0.8 per cent rise in retail sales in April following the Conservative party's election win.

In the three months to April, outstanding credit card debt increased by £239m, a sharp increase on the three months to January, when it grew by only £34m.

New consumer credit advanced was also more buoyant. It was £4.1bn in April, the highest monthly figure since December. In March, new credit advanced was £3.9bn.

Measured on a three monthly basis, new consumer credit advanced grew by 3 per cent in the three months to April compared with the previous three month period.

BA faces strikes in cabin crew pay row

By Michael Smith, Labour Correspondent

BRITISH AIRWAYS services in the UK and Europe face disruption after cabin crew on short-haul flights voted to strike over pay cuts for employees in UK regions.

The TGWU general workers' union said a ballot among 2,900 cabin crew members had produced a two-to-one majority for the strikes.

BA's proposals would mean cuts in salary of £2,000 for employees operating European and UK routes from Birmingham and Manchester who the company says currently earn £12,000.

Next year they would only receive a pay rise if inflation was above 4 per cent. In addition they would lose holiday pay supplements.

BA says pilots and ground staff have agreed to similar proposals. Also, the effects of the cuts would be softened by phasing them in over 18-months.

Mr George Ryde, TGWU national secretary, said cabin crew would not tolerate wage cuts while Lord King – BA chairman – and other BA bosses were "handing each other huge increases," and while the company was reporting its second highest profits ever.

The TGWU would not say how many people voted in the ballot.

BA managers believe this could signify a low turnout, especially among London cabin crew who are not directly affected by the reorganisation.

A Scorpion armoured vehicle leads a convoy of military vehicles through central London yesterday on the way to the Beating of the Retreat ceremony taking place in Horse Guards Parade this week *Photograph by Ashley Ashwood*

Business faces taxing dispute with Brussels

Michael Cassell on the threat posed by EC rules on VAT

BRITISH businesses will be watching closely today to see if Mr Norman Lamont becomes embroiled again in the row with the European Commission over Value Added Tax (VAT).

The chancellor will be in Luxembourg for a meeting of finance ministers, called primarily to discuss the EC budget. Even so, he is likely to find himself under renewed pressure to accept Commission plans for legally binding minimum rates of VAT throughout the community.

Of much more direct concern to a wide range of British companies is any potential fall out from the government's refusal to accept the 15 per cent minimum rate proposal.

Last week the Commission hinted that Britain could, as a result, be jeopardising its right to maintain zero-rating on large numbers of everyday goods and services.

In spite of categorical assurances from the Treasury that Britain's present position is guaranteed under the sixth VAT directive, the role of zero rates will have to be reconsidered before the expiry of the directive in four years' time.

Britain has zero-rating on several fundamental areas, including basic foodstuffs, public transport, newspapers, domestic utility supplies, and charities.

Previous threats to remove zero-rating have met with fierce opposition.

Train and bus operators, for example, are warning of dire consequences if VAT should be imposed on public transport. Britain, Denmark and Ireland are alone among EC countries in applying zero-rating.

Fare increases arising from the imposition of VAT, coming on top of the customary annual rises, would provoke an outcry, particularly among British Rail's "captive" travellers such as Network SouthEast commuters.

Most other EC countries favour reduced rates of VAT for transport fares - typically 5 per cent but reaching as high as 19 per cent.

Beyond the moves to impose a minimum 15 per cent VAT, there is a parallel proposal to consider taxing all passenger transport services at a special reduced rate of not less than 5 per cent.

The UK air travel industry is already resisting the plan vigorously. British Airways says it is strongly opposed because the move would translate immediately into fare rises.

> "The loss of zero-rating would impose a burden on customers"

Imposition of the extra tax would pose a big problem for water companies, already planning to raise charges in England and Wales by an average of five percentage points above the level of inflation each year to finance the industry's £28bn capital investment programme.

Water costs less in Britain than in all other European countries except Spain, Belgium and Norway, but the modernisation programme to meet EC standards is quickly pushing up charges.

"The loss of zero-rating would impose a heavier burden on customers who are already finding prices high and getting higher," said Dilys Plant of Ofwat, the industry's economic regulator.

The UK construction industry has already fought one battle with European Commissioners over the imposition of VAT.

In 1988 the European Court ruled that the tax should be imposed at the standard rate on all construction except new housebuilding and a limited amount of work on listed buildings and for the disabled. As a result only about a tenth of all building work is not covered by VAT payments.

The Building Employers Confederation said that, given the European Court ruling, it was unlikely the EC would be able to extend VAT charges to new housebuilding.

The prospect of the imposition of VAT on books, newspapers and periodicals would almost certainly lead to another "Hands off Reading" campaign which recently drew together all parts of the industry to fight the threat.

There have been claims that 15 per cent VAT on newspapers would cut circulation levels by 10 per cent. Mr David Pollock, director of the Newspaper Proprietors Association, said, "We remain emphatically of the view that there is only one appropriate rate of VAT for newspapers – zero."

Food and clothing manufacturers appear more relaxed about VAT, believing their products are more price-resistant. The Food and Drink Federation pointed out that 50 per cent of all food consumption currently attracts VAT – largely through restaurants, take-away meals and snack foods.

Charities believe they would be badly hit. Oxfam, whose shops raise £17m a year for overseas aid programmes, said charities were already contesting the seventh EC directive on second-hand goods, which would impose VAT on their sales.

Truck company to shed more than 500 jobs

MORE than 500 of the 850 workforce at AWD, the former Bedford trucks business put into administration last week, are being made redundant.

The redundancies were announced at the Dunstable, Bedfordshire plant by receivers from KPMG Peat Marwick.

They also announced plans to restart production tomorrow. Most of AWD's workers have been idle since the start of the year as a result of the prolonged recession in the UK truck market.

The receivers, however, reiterated their intention to sell AWD as a going concern and said a number of "substantial" companies had made approaches. AWD was bought from General Motors in 1987 for about £20m by Yorkshire entrepreneur Mr David Brown.

Maxwell pensioners promised financial aid and independent report on legislation

Government to review pension laws

By Alison Smith, Norma Cohen and Robert Peston

THE GOVERNMENT yesterday announced a review of pensions law to report within a year and emergency grants of £2.5m to deal with the plight of those worst affected by the theft from Maxwell company pension funds.

Announcing the grants at Westminster, Mr Peter Lilley, social security secretary, said: "Rarely in the catalogue of crime has there been a fraud as callous and despicable as the pillaging of pension funds by Robert Maxwell".

He said the grants were not compensation for pensioners, but "temporary, emergency funding" to help Maxwell schemes which were unable to maintain payments over the next few months. If the schemes turned out to have sufficient assets to meet their commitments, the funds - but not individual pensioners - would be expected to repay the emergency grants.

The funding is expected to last for five or six months at most, until after a court ruling on allocating the £100m of disputed assets frozen in the Common Investment Fund.

Those first in line for assistance will be 240 pensioners in the Headington Pension Plan whose payments have been stopped, and 5,000 in the Maxwell Communication Corporation works scheme who face drastic reductions from July 1.

Cause for concern: aggrieved Maxwell pensioners protest outside the headquarters of Mirror Group Newspapers

The "drip-feed" of temporary funding meets one of the main points urged on the government by the 100-plus all-party group of MPs campaigning on behalf of the Maxwell pensioners .The issue has been rising up the political agenda since more than £400m was found to be missing from Maxwell pension funds. Yesterday's announcement coincided with a lobby at Westminster in which up to 1,000 Maxwell pensioners took part.

Though the £2.5m was seen as "insultingly meagre" by Labour and some campaigners, some ministers had argued against providing any public funds at all, on the grounds that more pressure should be put on the banks and that it would be impossible to "turn the tap off once it has been turned on". There was, however, a general welcome for the independent and wide-ranging review of pension law and regulation, which will address the status and ownership of pension funds.

Mr Lilley said he had asked the committee to report within a year, and to make recommendations if it thought they should be implemented urgently. It will be chaired by Professor Roy Goode, professor of English law at Oxford University. Mr Lilley said he would implement a provision of the 1990 Social Security Act which would make any deficiency of pension funds that have been wound up, a debt on the employer company. It has been a key demand of Maxwell campaigners.

Mr Lilley also said he was setting up a special unit in his department to help trustees and others working to expedite recovery of the assets.

Economist identifies culture clash

By Ian Hamilton Fazey, Northern Correspondent

JAPAN practices a different form of capitalism to the US or Britain, which neither side fully understands and so accuses the other of cheating in order to protect their markets, according to one of Britain's leading economists.

Professor Ronald Dore yesterday told a Manchester Business school conference on the Global Kaisha, or Japanese multinational companies, that there was a major struggle between Japanese and Anglo-Saxon concepts of capitalism. The Anglo-Saxon model makes return on investment its first priority, while this has ninth place in Japanese capitalism's order of preference.

Japan places most emphasis on maintaining market share so as to safeguard jobs in companies and their suppliers, he said.

Prof Dore, who holds posts at the London School of Economics and Massachusetts Institute of Technology, said the Anglo-Saxon method of competitive tendering for sub-contracts contrasted sharply with the Japan's long-term relationships with suppliers.

The international contrasts also showed in equity markets. US and British companies lived in fear of their shares being traded instantly if they fell out of favour with investors. In Japan between 65 and 80 per cent of any company's shares were held, locked in safes, by other Japanese companies with which they did business.

The overall result was that Anglo-Saxon capitalism was driven by self-interest while the Japanese model was more concerned with collective good. The latter was considered feudal or backward by Anglo-Saxon capitalists, who often insisted their way was best because it championed free trade.

Textile exports aid recovery

By Daniel Green

EXPORTS are leading a patchy recovery in the UK textiles and clothing industries, according to the sector's trade association.

In its latest quarterly report the Apparel, Knitting and Textiles Alliance (AKT) found that textile and clothing exports rose 9 per cent to £1.1bn in the first quarter of this year compared with the same period last year. Imports edged 2 per cent higher to £2.1bn.

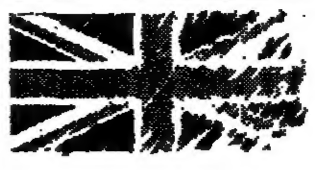
Domestic sales "remained stagnant despite extensive price cutting," said AKT. Retailers continued a cautious approach to ordering which encouraged the manufacturers' drive for exports.

Mr Colin Purvis, director of AKT, said: "We are getting better at exporting, especially to markets in southern Europe."

Clothing exports grew 10 per cent to £445m, helped by a sharp rise in sales to the Commonwealth of Independent States, albeit from a low level.

The largest export market remained Ireland, with Germany and France close behind. Textile and clothing imports from the rest of the European Community rose by 16 per cent, partly counterbalanced by a 7 per cent fall in imports from the US.

Britain in brief



Spending on R&D grows by 4.3%

Most British companies spent more on research and development last year in spite of the recession.

The 10 biggest spenders devoted £3.9bn to R&D in 1991 – 4.3 per cent more than in 1990 – according to the second annual R&D survey from the Department of Trade and Industry. In contrast, their profits fell by 17.1 per cent to £15.8bn. The figures indicate that UK companies spend less than half per employee on R&D than companies in the US and Germany. ICI maintained its position as the UK's biggest spender on R&D with £596m, up just 1 per cent on the 1990 figure.

Fleet unable to meet UK needs

Britain's merchant fleet has shrunk to the point where it can no longer play a full part in the defence of the realm, according to a report commissioned by the British shipping industry.

It warned that a national operation such as the Falklands campaign, dependent on the availability of British ships and seafarers, would be "at best on the margins of practicality and at worst impossible".

Although the Gulf war had involved Britain in a large-scale deployment of its armed forces overseas, the sea-lift was achieved almost entirely through the use of foreign flag vessels on charter, the report said.

BCCI creditors seek payout

The liquidators of the collapsed Bank of Credit and Commerce International (BCCI) have pressed ahead with their High Court move to obtain a judge's approval for a deal offering creditors at least a 30 per cent payout.

Their counsel, Mr Michael Crystal QC, told vice-chancellor Sir Donald Nicholls that, despite opposition from the BCCI creditors' committee, the liquidators still considered the deal they had negotiated with the government of Abu Dhabi and BCCI's majority shareholders gave the best chance of a significant and swift return to creditors.

In deciding whether to give the go-ahead for the deal to be put to creditors, Sir Donald will hear the views of the creditors' committee, the BCCI Depositors' Protection Association, the campaign committee for the bank's employees, various individual creditors and the government of Abu Dhabi.

The hearing is expected to last several days.

Ford executive in NUK talks

Mr Octav Botnar, chairman and managing director of Nissan UK, negotiated with a senior executive of Ford of Britain, to become his successor as head of NUK, according to evidence disclosed in the High Court.

Mr Ernie Thompson, sales director of Ford of Britain since 1986, said that he held two meetings with Mr Botnar in April and in May 1986.

Mr Thompson was subpoenaed to give evidence on behalf of Mr Stan Cholaj, a former NUK assistant managing director who is seeking £1m in damages against Nissan UK for wrongful dismissal and breach of contract.

Mr Thompson said that Mr Botnar had explained to him that he was seeking to negotiate the sale of Nissan UK to Nissan Motor, the Japanese car maker. NUK held the exclusive importer-distributor franchise for Nissan vehicles in Britain until the end of 1991, when the franchise was taken back by Nissan Motor.

Football boosts satellite TV

The prospect of Premier League Football on satellite television has boosted the potential market for satellite dishes, according to the latest FT Satellite Monitor.

Since the publicity over the £304m joint BSkyB-BBC deal with the Premier League, the number of people saying they will probably get a dish has risen by more than 300,000, from 1.814m to 2.195m. The numbers saying they will definitely get a dish, however, fell from 224,000 in April to 67,000 in May. Mr John Clemens, chairman of Continental Research, which produces the monitor, believes potential purchasers may be waiting for live football to begin in August.

Tube fails quality targets

Five of London Underground's 11 lines have failed to meet tough performance targets announced by the government last month.

Figures show that the worst performer was the Victoria Line, which failed to run nearly 20 per cent of scheduled rush-hour trains in the four weeks to May 22. London Underground blamed long-standing difficulties with irregular wear on trains' wheels, saying it was probably caused by faulty lubrication.

New housing scheme planned

Housing associations and private-sector companies are to be invited to tender for the management of 4m council homes under plans announced by Sir George Young, the housing minister.

Launching a discussion document setting out the government's proposals, Sir George told a London conference on housing management that the extension of contracting-out to council housing would help tenants getting a bad deal.

Editorial Comment, Page 14

Output starts at BP oilfield

British Petroleum's Miller oilfield, one of the biggest North Sea projects of recent years, has started producing its first oil. BP said production at the £1.3bn development will reach 113,000 barrels a day and will remain at that level for nearly half the field's expected life.

MANAGEMENT: THE GROWING BUSINESS

Business support organisations have set about efforts to create a more streamlined and effective network, reports **Charles Batchelor**

All change for recovery

The 1980s was a decade of rapid upheaval for small businesses in Britain. The 1990s look likely to see an equally fundamental shake-up of the organisations that support business; the chambers of commerce and of trade, the enterprise agencies and the most recent arrivals, the Training and Enterprise Councils (Tecs).

Change is being driven by a rethink of government attitudes; by the recession which has cut a swathe through the membership rolls of many groups; and by a realisation that business support must become more professional.

It also reflects the limited number of people capable of running the voluntary business agencies. Experienced individuals often find themselves sitting on the board of their chamber of commerce as well as playing a role at their local Tec.

An important catalyst for change was the launch, three years ago, of the nationwide network of 82 Training and Enterprise Councils to provide training and small business support on a local basis.

Uncertainty persists over just how well the Tecs will adapt to the enterprise part of their brief but there is no doubt that they have succeeded in galvanising existing organisations into improving their level of service. The Association of British Chambers of Commerce (ABCC), whose chambers represent 83,000 businesses, is 18 months into an ambitious programme to boost membership and the quality of service that chambers provide.

Evidence of the success of this policy, and of the pressures of the recession, came last week with news that the National Chamber of Trade, representing chambers and trade associations with a total of 150,000 members, is seeking a merger with the ABCC. The two, which have been rivals for more than 90 years, hope to complete their merger talks in the autumn.

A merger of the two chamber organisations would significantly reduce the fragmentation of small business support networks. But it would still leave the chambers and Tecs uneasily vying for market share in some parts of the country. The two organisations have held talks about closer co-operation though it is unclear whether this might ultimately lead to mergers.

Earlier this year, it looked as though the business support picture was going to become even more confused with the announcement of a plan for a network of business clubs.

Tom Moffat, founder and chairman of the Durham Small Business Club, had hoped that his network would become operational in April with 20 members, but it is taking longer to get started. He now hopes to launch it with a dozen members towards the end of the year.

Moffat maintained from the outset that his clubs would form part of a three-tier network, sandwiched between the enterprise agencies and the chambers of commerce. The proposed chambers' merger has prompted Moffat to suggest to the ABCC that the two organisations devise a joint strategy.

While the chambers and business clubs try for strength through unity, the 300-plus enterprise agencies are faced with the need to create a new national organisation from scratch. Business in the Community, which has acted as an umbrella organisation for the agencies over the past 10 years, is working on plans to end this special relationship.

In future BITC intends to provide backing on a more even-handed basis to the whole range of business support organisations including the Tecs and the chambers.

Quite what sort of national organisation will emerge to take on the role of BITC in co-ordinating support for the agencies and representing their views to government is unclear. It is not inconceivable that the agencies may establish links with the Tecs or the chambers.

But whatever the business groups themselves decide, an important role will be played by the government. Previous government involvement has appeared *ad hoc* and unfocused and the creation of the Tecs angered some of the existing business groups which felt they should have become the channels for government action.

Michael Heseltine, whose trade and industry department has taken over responsibility for small firms policy from the department of employment, is known to be more interventionist in his approach, though it is not yet clear what this means in practical terms.

There have been signs recently that the government has become willing to use existing business networks. It is employing enterprise agencies to run five pilot schemes to encourage private individuals – "business angels" – to invest in business. It also plans to use trade associations for three test schemes on how to tackle the late payment of debt. If government and the business organisations can make the right choices, then Britain will have a more streamlined and more effective network of business support by the end of the decade. If the chances are missed, networks will remain patchy, fragmented and businesses will suffer.

In a Nutshell

Benefiting the taxman

Companies frequently lay themselves open to making unnecessary tax and national insurance contributions by the way they treat benefits to employees.

They may also incur penalties if they overstep the rules, according to accountants Blick Rothenberg.

Most mistakes are made when companies reimburse employees for payments such as credit card invoices, telephone bills, school fees, club subscriptions or other personal spending made good by the employer.

A company which pays an employee's home telephone bill must make sure that the bill is addressed to the company.

If it does this there will be no national insurance to pay though the individual will be liable to pay income tax on the sum.

If the bill is sent to the employee's address, then the company, and possibly also the individual, will have national insurance to pay as well.

A self-appraisal questionnaire to help employers spot problems is available from Blick Rothenberg, 12 York Gate, London NW1 4QS. Fax 071 935 6852. Free.

Bank managers called to account

Banks must shift more lending authority back to their local branch managers while the managers should visit their customers more often to get a greater understanding of their business.

These are two of the main requests expressed by businessmen and women in a survey* of 100 managers and more than 1,200 companies with sales of more than £2m, carried out by accountants Coopers & Lybrand.

Businessmen and women, for their part, should produce a business plan for their bank manager with regularly updated budgets and projections.

They must improve the quality of management information generally, bank managers said.

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Speaking the language of Europe

The Danes have provided a temporary setback to the European Community's plans for political and monetary union but progress towards the creation of a single European market continues uninterrupted, writes Charles Batchelor.

Even at this late stage – the formal launch date for the single market is January 1, 1993 – there is still time for dilatory businessmen or women to take action. Many of the measures needed to implement the single market will not be in place until long after the official deadline and the EC will continue to extend its influence over the coming years.

The message of Influencing the European Community: Guidelines for a Successful Business Strategy (Kogan Page 358 pages £35) is that businesses are not simply obliged to respond to change: they can also affect its course.

Cecilia Andersen provides an encyclopaedic account of the workings of the community and detailed explanation of how companies can influence the preparation of EC regulations.

Andersen, an academic and a consultant, urges companies to adopt a European public affairs strategy suited to their size. Large companies should identify policy planners and decision-makers in community institutions and establish good communications with them, she says.

They should participate in key organisations and groups where community initiatives which concern the business are dealt with and take part in the technical preparation of community legislation.

Companies should gather information on community issues and disseminate it within the organisation. They should also foster a corporate European mentality so the business is seen as knowledgeable on European issues.

Small businesses, with more limited resources, should make use of the free and low-cost channels of help and advice available, while consultants can be used to solve specific problems or to lobby for the business's interests in Brussels.

A business's public affairs campaign should not be confined to the Commission, despite its pivotal role in the single market process. Sometimes it may make more sense to turn to the officials of member states, or their permanent representatives based in Brussels. Members of the European Parliament and their specialist committees can also prove useful allies.

A company which wants to influence a specific piece of legislation should concentrate on the early drafting work by the Commission, Andersen suggests. Commission officials will draft a policy proposal and then hold discussions with outside experts selected by member states.

A working party from the appropriate directorate general will then refine the proposal taking the views of interest groups into account. Other directorates general will be contacted for their views before the proposal moves up for commission-level action, by which stage the contents are more or less final. Andersen has written an essential, if somewhat wordy, handbook for businesses of all sizes which need to take the European market seriously.

A less discursive guide to getting your voice heard in Brussels is provided by Effective Lobbying In The European Community (Kluwer Law and Taxation Publishers. 162 pages. £26). James Gardner, a US lawyer, describes the structure of the Brussels bureaucracy and the organisations which companies are likely to encounter.

His advice is of value to small and large businesses alike. A weakness of this otherwise helpful book is its failure to provide case histories of successful, and more interestingly perhaps, unsuccessful lobbying campaigns.

For the businessman or woman less concerned with influencing the European Community's decision-making process than with simply understanding the debate, The European Community Fact Book: Second Edition (Kogan Page 256 pages £12.95) provides a handy guide.

Alex Roney, legal counsellor for the London Chamber of Commerce, provides a concise review of European community institutions (including a chapter on institutions not to be confused with EC institutions) and the main elements of Brussels' policy-making.

An even more abbreviated guide to Europe and its jargon is provided by 1992 Eurospeak Explained (Rosters, 158 pages £5.95). The book starts with the briefest of introductions to community institutions and a quick, but not unhelpful, outline of how best to lobby Brussels.

Stephen Crampton, secretary of a UK consumer group concerned with EC issues, then moves on to provide an A to Z of European terminology. His explanations may prove too brief for some readers but others will find it a useful, basic source of reference.

Kogan Page, 120 Pentonville Road, London N1 9JN. Tel 071 278 0433. Rosters, 23 Welbeck Street, London W1M 7PG. Tel 071 935 4550. Kluwer, Postbox 322, 3300 AH Dordrecht, The Netherlands. Tel 010 31 78 524400.

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BUSINESS FOR SALE

Touche Ross

Property Sale

- ☐ Valuable industrial site ideally located 1 kilometre from M1 Motorway at Tinsley, Sheffield, South Yorkshire. Close proximity to large retail centre at Meadowhall. Large yard area with 7½ ton overhead crane, weighbridge, on site fuel facility, and dual access. Workshops 10.000 sq. ft. Three storey office block - total site area 3.3 acres.
- ☐ 28 acres of Industrial Land for sale on prime sites near to M1, M38 Alfreton, Derbyshire and Langley Mill, Bailey Brook, Near Nottingham.
- ☐ 3 acre Residential Building Site at Harworth, Near Doncaster. Planning permission for 55 starter dwellings.
- ☐ Valuable Factory at Coates Park Industrial Estate M1/M38 in Derbyshire 83,000 sq. ft. occupying site of 8 acres.
- ☐ Warehouse premises also Coates Park Industrial Estate 107.000 sq. ft. – 3 acres further development.

For further information contact L. K. Denney at the address below.

Deloitte Touche Tohmatsu International

1 Woodborough Road, Nottingham NG1 3FG. Tel: 0602 500511. Fax: 0602 590979.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

J B S Restaurants Ltd

The Joint Administrative Receivers, Peter Copp and Tony Supperstone of Stoy Hayward offer for sale as a going concern the business and assets of 'Rue St Jacques' Restaurant in Charlotte Street, London. The restaurant produces classic haute cuisine, is stunningly designed giving a spacious period interior and offers:

- ◆ Freehold property in optimum location
- ◆ Internationally renowned chef
- ◆ Highly skilled staff
- ◆ Annual turnover circa £500,000

ES&P EDWARD SYMMONS & PARTNERS

Further information may be obtained from Tony Supperstone or Colin Haig at Stoy Hayward. Tel 071-486 5888, or A J Roles at Edward Symmons & Partners. Tel: 071-407 8454 Fax: 071-403 1947 – the appointed agents.

STOY HAYWARD Horwath
Accountants and Business Advisers A member of Horwath International
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business
8 Baker Street, London W1M 1DA. Tel: 071-486 5888 Fax: 071-935 3944.

Jessop & Boyce Restaurants Ltd

The Joint Administrative Receivers, Peter Copp and Tony Supperstone of Stoy Hayward offer for sale as a going concern the business and assets of two of the best known restaurants in the City operating under the styles 'Shares' and 'Equities', and offers:

- ◆ Optimum locations
- ◆ Prestigious leasehold premises
- ◆ Highly skilled staff
- ◆ Annual turnover circa £800,000

ES&P EDWARD SYMMONS & PARTNERS

Further information may be obtained from Tony Supperstone or Colin Haig at Stoy Hayward. Tel 071-486 5888, or A J Roles at Edward Symmons & Partners. Tel: 071-407 8454 Fax: 071-403 1947 – the appointed agents.

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Humberts · LEISURE

NEWBURY RACECOURSE

34 private hospitality boxes to be offered by tender in the spectacular New Berkshire Stand

The most exciting new development in British racing

27 days of the best flat and National Hunt racing

Tender date 7th July 1992

For particulars and full details of tendering arrangements please contact Humberts Leisure

Thorpeness Hotel & Golf Course
London 2¼ hours drive, Ipswich 15 miles

One of the great coastal golfing venues in the UK, designed in 1925 by James S Braid of the Great Triumvirate

- Traditional 18 hole heathland course
- Clubhouse • Hotel • Practice ground
- 3 residential properties
- Planning permission for further expansion
- *County championship venue*
- New irrigation system

For Sale as a going concern

TEM/NCH

071-629 6700
25 GROSVENOR STREET · LONDON W1X 9FE

Atlantic Equipment Ltd
Ladderbury Engineering Ltd

Byfleet, Surrey

The Joint Administrative Receivers offer for sale as a going concern the businesses and assets of the above companies which are engaged in the design and manufacture of aircraft interior fittings and precision engineering.

Principal features include:

- Combined turnover £2 million p.a.
- Sizeable order book.
- Excellent blue chip customer base.
- CAA approvals
- Close to both Heathrow and Gatwick.
- Experienced workforce.
- *2 leasehold properties – 24,000 sq. ft.*

For further information contact the Joint Administrative Receiver, Mike Blake, KPMG Peat Marwick, First Floor, Abbots House, Abbey Street, Reading RG1 3BD. Tel: 0734 505555. Fax: 0734 589285.

KPMG Corporate Recovery

Label Manufacturer

Colne, near Burnley, Lancashire

The Joint Administrative Receivers offer for sale as a going concern the business and assets of Bell Woven Label Co. Ltd.

The company was established in 1963 and operates as a narrow fabric manufacturer and printer, specialising in 'sew in' labels and badges for the UK clothes industry.

Principal features include:

- Diverse, quality customer base.
- Modern needle and broadloom plant.
- Computer aided design.
- Full in-house printing facilities.
- Turnover approximately £3m.

For further information contact the Joint Administrative Receiver, Mick McLoughlin, KPMG Peat Marwick, St. Nicholas House, 31 Park Row, Nottingham NG1 6FQ. Tel: 0602 483444. Fax: 0602 483401.

KPMG Corporate Recovery

BUSINESS FOR SALE

A well established business for sale with sales of £280k per annum, and a contribution of £83k. Sales through commission agents. Established brands sold through DIY Sheds and Independents. Some unique lines! Write to: Box A486, Financial Times, One Southwark Bridge, London SE1 9HL

Commercial Vehicle Bodybuilders

Sparshatts of Hampshire Ltd
(In Receivership)
Portsmouth

- Leasehold/freehold premises
- Annual turnover £2.1M
- Skilled Workforce
- Substantial customer base
- Market leader in removal vans

For further details contact the Joint Administrative Receiver Peter Hall, Grant Thornton, 31 Carlton Crescent, Southampton, SO1 2EW Tel: 0703 221231 Fax: 0703 330443

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Mirror Manufacturers

A W Morris (Repro) Ltd
(In Receivership)
Holloway Road, London N.7

The above company is the largest manufacturer of decorative framed mirrors in the UK.

- Annual turnover approx £5m
- Blue chip customer base
- 90,000 sq 'ft freehold factory
- Modern equipment and processes

For further details contact the Joint Administrative Receivers: Scott Barnes and Maurice Withall, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Tel: 071 383 5100 Fax: 071 383 4077

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Budget Mobiles Limited

(In Administrative Receivership)

The Administrative Receivers offer for sale the business and assets of Budget Mobiles Limited.

- *Portable Building Manufacturer in the Midlands*
- *Potential turnover of £1.5m per annum*
- *Long leasehold premises 17,000 square feet*
- *BS 5750 approved*
- *Small hire fleet of portable buildings*

For further details contact W. J. Kelly, Ernst & Young, PO Box 1, 3 Colmore Row, Birmingham B3 2DB.
Telephone: 021-626 6262. Fax: 021-626 6363.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Mayfair Cards Ltd

(In Receivership)

The business and assets of the above company *which operates 10 greeting card, gifts and fashion* jewellery shops located throughout the North West of England and the North Coast of Wales, are available for sale as a going concern.

- 10 fully fitted leasehold shops located in the *North West of England and North Wales.*
- Annual turnover approaching £1 million with high gross *profit* margins.
- Established card retailing business with 10 years trading history.
- All branches are under full time management and they are controlled by an experienced and *long serving manager.*

For further information please contact:
AJP Brereton FCA, The Joint Administrative Receiver, Price Waterhouse, York House, York Street, Manchester M2 4WS. Tel: 061-228 6541. Fax: 061-236 1268.

Price Waterhouse

The Path to Managing a Buy-Out

The [illegible] Guide to planning a Management Buy-Out

For further information please contact:
Alan Greenberg
[illegible] Corporate Finance Limited
84 Grosvenor Street London W1X 9DF
Telephone: 071-493-2550
Fax: 071-629-9444.

MARKET LEADER
HEALTHCARE - SOFTWARE SYSTEMS

Control of profitable company offered for sale. Turnover £750,000 including annual maintenance fees of £200,000. Huge growth potential.
Write to: Choularton Securities Limited 18th Fl. 2 Fore Street, London EC2M 5DA

INDUSTRIAL AND MARINE ENGINEERING

Well established company.
Sound customer base.
Good Order Book.
T/O £4 million plus.
25 acre freehold site.
Industrial and leisure planning consent.
Retirement sale.
Write Box A4026 Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES FOR SALE

All Wheel Drive

The Joint Administrative Receivers, Tony Thompson and Roger Oldfield, offer for sale the business and assets of AWD (the former Bedford Trucks business) in whole, or part, as a going concern.

The Company designs and manufactures trucks for UK and export markets.

Salient features include:

- 57 acre freehold site incorporating fully equipped factory and offices in Dunstable, Beds.
- Forecast turnover of £108 million for 1992.
- Broad range of commercial, military and construction vehicle products with related IPR and know how.
- Order and prospect list for new and established UK and International customers.
- International distributor/assembler network.
- Varied stock, work in progress and plant and machinery.
- Skilled and experienced workforce.
- Substantial worldwide parts business.

For further information please contact, Tony Thompson, Joint Administrative Receiver, KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire, AL3 4RF. Tel: 0727 43000. Fax: 0727 41005.

KPMG Corporate Recovery

CHESHAM. BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And you want the right buyer. With confidential briefs from hundreds of acquisitive public company chairmen who are looking to buy successful, private companies worth £500,000 to £25 million, we ought to be able to help. So if you're thinking of selling your business, contact our Managing Director to arrange a confidential discussion.

CHESHAM AMALGAMATIONS
The first name in merger broking.

Chesham House, 2 Bentinck Street, London W1M 6JX. Telephone: 071-935 2748

HOTEL GROUP
(Manchester)

- Offers in excess of £6 million.
- Ideally situated to capitalise on Manchester airport being part of the new road development scheme.
- 100 bedrooms with planning permission in place to double in size.
- Current occupancy rates between 55-60%.
- Consistently strong operating profits.

Potential purchasers please write to Anne Jordan at: Livingstone Fisher plc, Acre House, 11-15 William Road, London NW1 3ER.

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A Member of FIMBRA

LEISURE PRODUCTS

Company engaged in distribution of summer leisure products with a turnover in excess of £1 million and generating attractive gross margins wishes to dispose of its goodwill and stock. Valuable freehold property available if required. This is an interesting opportunity for a company engaged in complementary activities.

Written replies only please, quoting reference MB/3127/5 to:-

Pannell Kerr Forster
New Garden House
78 Hatton Garden
LONDON EC1N 8JA

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

WE SELL COMPANIES

Fitted Kitchen Manu – Cleveland – Wholesale. Untapped Retail potential. T.O. £1.2M+ Price £350K (Ref: ZMB32261NE)
Wholesale/Retail/Dried Bulk Foods – North West – T.O. £1,657K at 28% GP £87K NP. L/H prems inc warehouse/6 shops. £285K +/- net assets. (Ref: ZWR33232GM)
Commercial Vehicles – Major centre, approved service centre, heavy vehicles, service, breakdown, callout, repairs etc. Lincs/Notts. Site 1.25 acres, premises 10,000 sq.ft F/H T.O. £900K. Price £375,000 (Ref: ZTV28855G)
Glassware Production (Pharmaceutical) – Estab - Midlands. T.O. £127,800 1990. Profitable. Suits individual, or merging. Price £125,000 (Ref: ZMC32689G)
UK Based Fast Food Co – 4 units in same area. Prof run and managed. T.O. £1.4M with GP £896K. NP £311K. Price £1.2M. Principals Only. (Ref: JB.AM)
Electrical Eng – E. Midlands showing £204K p.a. profit from £700K T.O. Estab with a sound customer base. Can be run by current management. Price £525K +/- net assets (Ref: ZEE28030SM)
Metal Fastener Distributor – N. England – Estab Co several depots. Draft Accounts show T.O. £4.125M. NP £588K. £2.5M +/- net assets. (Ref: ZED34146D)
Tremendous Niche Market Opportunity – Tyne and Wear – Profitable 1991. Audited T.O. £468,916. Adjusted NP £75K. Cautious marketing style. 50% repeat business/referrals. Price £120,000 + s.a.v. (Ref: BM32637NE)
Plant & Tool Hire Co – N. Home Counties – Estab. T.O. £100K p.a. Good NP for wkg owner. Inc in sale, plant/tools. Retail prems/storage L/H £90K. (Ref: M34416D)
Metal Die Casting – Midlands – T.O. £500K. Operating Profit £110K. Estab. F/Hold prems. Price £425K +- net assets (Ref: Z33296SM)

EMSF

We should like to hear from principals – whether buying or selling – regardless of sector, size or location.
Strictest confidence is maintained.

18 Walsworth Road, Hitchin, Herts SG4 9SP. Tel: 0462 422499. Fax: 0462 420082

FOR SALE BY AUCTION
30th JUNE 1992

HOLME LACY HOUSE, HOLME LACY, HEREFORDSHIRE
Hereford 6 m. Close M50/M5
Grade I mansion largely converted to provide luxury 70 bed country house hotel in 52 acres with potential for golf course. Magnificent public rooms & leisure facilities.

CONTACT
CHRISTIE & Co
CORPORATE DIVISION
Auction Division 071-486 4231 or Simon Hughes 0272-744566

On the Instructions of Grant Thornton

CASTLETON, GREATER MANCHESTER
Commercial Hotel & Restaurant

8 ensuite letting bedrooms, 60 cover restaurant, 30 cover lounge area. Function suite for 70. Prominent trading location. Turnover year ending 31.3.92 £418,725.

Freehold—Offers invited.
Ref. 56/45383
For further details contact: JULIAN TROUP, Manchester Office on 061 833 3311

CHRISTIE & Co

FOR SALE

Small, progressive and profitable group providing business and holiday apartment accommodation in London.
Market Leader, with it's own asset base and a substantial order book.
Reply in confidence to: David Carver
The European Business Advisory Service
50, Pennington Place,
Tunbridge Wells,
Kent. TN4 0AQ
Tel: 0892 643736
Fax: 0892 518249

MAMOD STEAM ENGINES
Leading Brand For Sale

An opportunity has arisen to acquire the leading manufacturer and distributor of model steam engines.

* Superb range of 'live' steam products
* 60 year heritage
* Turnover currrently £400,000 with good growth opportunities

A new owner with relevant market and/or production expertise is needed to develop the tremendous potential.

Write Box A4018, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE Rolls-Royce & Bentley Dealership
HP Arnett & Son Ltd.
(In Administrative Receivership)

The joint administrative receivers of HP Arnett & Son Limited offer for sale the business and assets located in Bournemouth, Dorset. An assignment of the Rolls-Royce franchise is available subject to ratification by Rolls-Royce Motor Cars Limited.

Principal features of the business are:

- Freehold property and buildings on prime location, including recently constructed and fully equipped authorised coachwork and repair centre.
- Leasehold interest in exclusive showroom facilities.
- Specialised and general machinery, tooling and spare parts for after sales service.
- Exclusive dealership franchise agreement.
- Established customer base and trading name 'Arnett of Bournemouth'.
- 1992 turnover in excess of £2.3 million (1991: £4.1 million).

Only parties genuinely interested in purchasing the assets noted above need apply.

For further details please contact:
The Joint Administrative Receivers, PS Padmore FCA and PRC Denham FCA, Price Waterhouse, The Quay, 30 Channel Way, Ocean Village, Southampton, Hampshire SO1 1XF. Tel: (0703) 330077. Fax: (0703) 236252.

Price Waterhouse

FOR SALE
COMPANY MANUFACTURING HEAT EXCHANGERS

* Blue Chip Customer Base
* Location East Midlands V.Good Road/Rail Links
* Manufacturer of own extended surface tubes in many materials
* Privately Owned
* Highly Profitable
* T/O increase year on year, last 10 years
* Diversified Products/Customer Base
* Very Good technical facilities
* Exciting new products under development for customers new and old
* Ideal for European Purchaser to gain foothold in UK

Write to Box No. A4038, Financial Times, One Southwark Bridge, London SE1 9HL

CHINGFORD, LONDON E4

An Independent Co-Educational Day School for ages 4-16 plus, operating at full capacity with about 180 pupils and a waiting list.

FOR SALE

Knight Frank & Rutley
INTERNATIONAL
071 629 8171

NEWSPAPER CONTRACT PRINTING BUSINESS FOR SALE

7 year old Rockwell Community Press with Automatic Reelstands.
Wamac Publishing Equipment. Plus Platemaking etc.
Turnover in 1991 £2.2m. 19 staff.
Current leasehold premises available on long lease.
Write to Box H9814, Financial Times, One Southwark Bridge, London SE1 9HL.

SOUTH COAST ENGINEERING MANUFACTURER

Turnover £600,000. Pretax profit £200,000. Good growth record.
Own products, broad product, customer and market base.
Reason for Sale: Major shareholder of retirement age.
Suggested Price: £800,000
Incl. Freehold, but depending on final work in progress and stock.
Apply to : D. Ayres, 21 Easter Road, Bournemouth BH9 1SW.

MOTOR VEHICLE TECHNOLOGY COMPANY FOR SALE

UK designer and manufacturer of diagnostic, cleaning and servicing equipment for MOTOR VEHICLE PETROL INJECTION SYSTEMS

Fully tested and patented. Significant potential for machine sales and rentals worldwide. Would suit garage equipment sales organisation with established distribution network.

For further information contact: Paul Collis F.C.A. at PMCS Management Consultants Limited, Hathaway House, Popes Drive, Finchley, London N3 1QF
Phone: 081 346 6446 Fax: 081 349 3850

ESTABLISHED (over 30 years) PRODUCTION ENGINEERING BUSINESS IN SOUTH EAST ENGLAND

With Main Customer base of leading vehicle manufacturers. Producing Turnover of £2.5 million plus. Easy access to Motorways. Experienced directors, strong management team and skilled workforce. Sale includes Quality Plant and Equipment (current user valuation is £1 million plus) and existing leasehold premises. Current profitability in excess of £120,000 with potential for expansion. Offers in excess of £900,000 invited.

All enquiries in confidence from Principals only to Box No A4023, Financial Times, One Southwark Bridge, London SE1 9HL.

VERY PROFITABLE BUSINESS – TURNOVER £2 MILLION

Owner wishes to gradually retire from this established successful company to devote more time to the Christian Gospel. The company manufactures and distributes electronic equipment in specialised niche markets.
Substantial export sales through established channels.
New product recently introduced for health care sector.
Principals should write for further details to Mike Joy, Mercer and Hole, Gloucester House, 72 London Road, St. Albans, Herts AL1 1NS

WEGEN NACHFOLGEREGELUNG ZU VERKAUFEN: Ueber 20-jährige Schweizer Werbe- und Business-to-Business-Agentur zu vorteilhaften Konditionen. Offerten unter Chiffre 05-115212 an Publicitas, CH-3001 Bern.

A FREEHOLD FASHION INDOOR MARKET for sale in prime position, Fulham. £395,000 Tel: 071 385 3292 071 386 8724.

IDEAL OPPORTUNITY

Plastic Company in Spain For Sale
Situated close to Madrid.
Products include topical degradable materials for food and other packaging.
We would consider an outright sale or partnership.
For further details write to P.O. Box A484, Financial Times, One Southwark Bridge, London SE1 9HL.

ACCOUNTANCY RECRUITMENT

Divisions of specialist agency available owing to change in policy.
* East/West Midlands
* Large client/candidate base
* Generating significant revenue.
Suit local agency or specialist agency seeking Midlands expansion
Write to Box A4024, Financial Times, One Southwark Bridge, London SE1 9HL.

£ + − × ÷ % ? = £ + − × ÷ % ? £

PRITT STEEL STOCKHOLDERS LIMITED
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of this long established company whose principal activities are the processing and distributing of steel products.

- Based in two acres of rented premises in West Ferry Road, Docklands, close to the Seacon dock.
- Turnover in the year ended 31 December 1991 was £4.3 million.
- Large customer list
- 19 employees
- Plant and equipment includes:

Bronx decoiler	- Loopco slitter
4 guillotines	- Hayes WA6 roll former
Corrugator	- Brake presses

For further details please contact:
P.R. Sykes or P.W.G. DuBuisson,
BDO Binder Hamlyn,
20 Old Bailey,
London, EC4M 7BH.
Tel: 071 489 9000 Fax: 071 489 6295

BDO BINDER HAMLYN
Chartered Accountants
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

£ + − × ÷ % ? = £ + − × ÷ % ? £

AUCTION

UPON THE INSTRUCTIONS OF MORTGAGEES IN POSSESSION, BANKS, RECEIVERS, CORPORATE AND PRIVATE CLIENTS.

Pubs, Hotels, Restaurants and Retail Units.

2.00pm Tues, 30th June
Kensington Hilton, London, W11 4UL.
CHRISTIE & Co
071 - 486 - 4231

HOLIDAY PARK WEST COUNTRY

Award winning site licensed for 60 letting units and 30 tourers/campers. Many on site facilities. 16 room Georgian residence.
Further details from
Write A4007 Financial Times
One Southwark Bridge
London, SE1 9HL.

MODEL JOURNAL
For Sale

The only trade or consumer newspaper for the modelling industry. Covers fashion, catwalk, beginners, photographers and all aspects of modelling. Great potential published for 4 years. Initial letters to
Box A4020, Financial Times, One Southwark Bridge, London SE1 9HL.

INTERNATIONAL HOTEL MANAGEMENT SCHOOL

Profits exceed £100,000 and rising. Reputation, premises, marketing and situation all most attractive, as is the price for quick sale: £750,000.
School Transfer Consultants.
Tel: 0474-534131, Fax: 0474-352003.

Cigarette Machine Business

established 21 years and based in North London. Net profit £108,979 for year to 31.12.91 from operating machines in leisure & industrial locations. good staff. Premises available. Owner retiring. Full training given.
Price £272,500 plus SAV.
Write to Box A4032, Financial Times, Southwark Bridge, London SE1 9HL.

MANAGEMENT COURSES

INTERNATIONAL CENTRE FOR MANAGEMENT, LAW AND INDUSTRIAL RELATIONS

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In European Management and Employment Law
By Distance Learning

This well established two year distance learning course is designed for practising lawyers and senior executives who need to strengthen their understanding of management, commercial and employment law at the Community level. Offering a flexible way to combine work and study the LL.M. / M.A. features:

- ▲ Structured study modules based on assignment work and continuous assessment
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- ▲ An opportunity to combine work and study
- ▲ Spring session in Brussels and Luxembourg
- ▲ First hand observation of the workings of the European Institutions

Applications are now invited for January 1993 entry
For further details, course brochure and application forms please contact:
Jan Tardy
Course Administrator
Educational Centre, Faculty of Law
University of Leicester, Leicester LE1 7RH
Tel (0533) 522346. International Code 44-533. Fax: (0533) 522699

Leicester University

LEGAL NOTICES

Notice of Creditors' Meeting under Section 48(2) of the Insolvency Act 1986. Registered No. 1023644, Registered in England and Wales

CLARKMAN ENGINEERING LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG at 10.30 am on Friday 19 June 1992, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at the above address shown below, no later than 1200 hours on Thursday 18 June 1992, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed: J M Iredale
Joint Administrative Receiver
Dated: 1 June 1992

Address to which proxies should be sent: Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG

The Insolvency Act 1986. Notice of appointment of Joint Administrative Receivers.

PLANET WINDOWS (ARCHITECTURAL) LTD

Registered no. 2259022

Nature of business: Window Manufacturers.
Trade classification: 11.
Date of appointment of joint administrative receivers 1 June 1992.
Name of person appointing joint administrative receivers : Barclays Bank plc.
Ian Napier Carruthers and Michael Horrocks Joint Administrative Receivers (Office holder nos 6682 and 8026) Cork Gully, 43 Temple Row, Birmingham, B2 5JT

The Insolvency Act 1986. In the Maidstone County Court. In Bankruptcy No. 97 of 91

RE: MICHAEL GEOFFREY BROOKER (DECEASED)

I, Nigel John Vooght of Cork Gully, Lennox House, Spa Road, Gloucester GL1 1XD HEREBY GIVE NOTICE that I have been appointed and certificated by the Department of Trade as Trustee in the above matter. All persons having in their possession any of the effects of the Estate must deliver the to me and all debts due to the estate must be paid to me. Creditors who have not proved their debts must forward their Proof of Debt to me.

N J Vooght
Trustee.

ART GALLERIES

MARTYN GREGORY Paintings of the China Coast 1790-1880. Until 3 July. 34 Bury St. St. James's London SW1 Tel: 071 839 3731

TECHNOLOGY

Spirits lifted at Otis

The last thing most people want when they get trapped in a lift is to be talked to by a computer – but they do want to talk to someone.

At Otis's new nationwide service and training centre in west London, a computer screen flashes red when it receives an electronic message from sensors attached to lifts. This prompts the human touch to come into play, with a telephone call to the unfortunate passenger. An Otis engineer, meanwhile, is automatically notified.

Innovations like the Remote Elevator Monitoring service are important for Otis. Technology is being used to strengthen lift-makers' service business, which is at the centre of a power battle in an industry that has seen new equipment sales floored by the recession. Even in good times for new sales, service business accounts for the lion's share of the industry's profits.

But the relationship between service and technology works both ways, says Bill Hogg, general manager at the centre.

Improved quality of service to existing customers, for example, can lead indirectly to increased business for Otis modernising old-technology lifts. Microprocessors have been used in lifts for at least 20 years, but 70 per cent of the 150,000 lifts in the UK still use relay technology.

The recession in the UK construction market has made Otis's £5m investment in its new centre, opened in December, particularly timely. New lift sales fell 50 per cent in 1990, and a further 50 per cent fall last year, says Hogg.

The investment has enabled the company to bring together functions such as its Otisline data and information management system, its modernisation business and its service centre and related engineering and training functions.

Otisline, introduced two years ago in the UK, is a classic illustration of the symbiosis between after-sales service business and technology. For the customer, it offers 24-hour access to the company's engineers in case of faults.

For Otis, the system performs as a database that gives early warning of any recurrent faults – information used in new product design.

Andrew Baxter

A matter of life or death

Victoria Griffith describes how biotech companies can minimise risk in an industry full of pitfalls

When the US Food and Drug Administration announced in April that it was denying approval for a septic shock drug from Centocor, a US biotechnology company, the entire industry sat up and took notice.

"It was a wake-up call for the sector," said Kenneth Bate, chief financial officer for Biogen, another US group. The incident was the second alarm to be sounded that month, coming soon after the news that Centocor's competitor Xoma had also been sent back to the drawing board by the FDA.

Analysts say biotech drug groups have become increasingly likely to play for high stakes in recent years. After offsetting risks in the late 1980s through joint ventures, mergers and licensing agreements, many biotech companies are now reasserting their independence.

Much of the shift in strategy has to do with the phenomenal success of Amgen, a California-based group which by pursuing a go-it-alone strategy in the 1980s built itself into a $5bn operation. The company's achievement inspired many start-ups to take a big gamble, and these days biotechnology groups are more likely than ever to try to bring products to market on their own.

"The trend in the industry has been to assume more risk," said Mark Goldberg, head of the Massachusetts Biotechnology Research Institute. "Companies are increasingly likely to try to do everything themselves."

But the more independent track is full of pitfalls, and Wall Street seems to be waking up to the risks. The approval of Chiron's IL2 cancer drug in May has done little to allay investors' fears of over-exposure. Indeed, the incident seemed to confirm the belief that the go-it-alone strategy is not always best.

The FDA had rejected the drug in 1990, signing a death sentence for the product's original owner Cetus, which was purchased by Chiron last year. Chiron, a more cautious participant, succeeded two years after Cetus had failed.

To the industry, the message from the FDA seemed clear: patience and thoroughness would be rewarded. The trouble is, these are expensive commodities. "If they succeed, the rewards are enough to make your mouth water," says one executive.

But winning is not easy. "FDA approval isn't the only obstacle," Goldberg pointed out. "Even if a company doesn't trip up in the initial research or development phase, they may fail when the get to marketing or sales."

The problems are compounded by an escalating cost structure. "Costs go up by multiples as you move from research to development to sales," said Bate. "A $100,000 project can turn into a $10m project."

The industry is now littered with the casualties of go-it-alone strategies. Genetics Institute, also considered a high-risk taker, sold 60 per cent of its shares to American Home Products in 1991. "I wouldn't be surprised to see Centocor up for sale soon," said Henri Termeer, head of Genzyme Corporation. Other observers worry that start-up companies in the sector have an increasingly flimsy basis from which to build a success.

"Many new companies concentrate more on technology than on specific products," noted Lowell Sears, chief financial officer for Amgen. "For instance, they try to get patents on things like carbohydrate chemistry, with the idea that the technology is bound to turn out some valuable products. They are a few steps further from the market than we were when we started, because we had a specific product in mind. They'll have to raise significant amounts of money, and I just don't think they will make it."

Amgen is the object of much admiration in the biotechnology business, an example of a company which took a big gamble and won. Like Centocor, the group bet heavily on its initial products, building up a sales and marketing force even prior to FDA approval.

According to Sears, though, Amgen was never as risk-oriented as the market believed. "The difference between us and Centocor," said Sears, "is that we were sure of our product from the beginning. We also worked very closely with the FDA: we involved them and listened to them, and did not adopt an adversarial approach."

Although many biotechnology groups are risk-takers, there are several models for controlling it. "We don't try for large markets," explained Larry Kurtz, vice-president in charge of communications at Chiron. "We try for small successes. We've also done a pretty good job of bringing in other firms to help develop products."

One of the most conservative companies in the industry is Biogen. In the beginning, Biogen's strategy was to license out its products to other groups. The arrangement was simple. In exchange for up-front money to finance research and development, Biogen sold the rights for many of its drugs.

Now the group receives regular royalties from the products, and avoids marketing and sales overhead. "The advantage of that strategy is that we have a steady revenue stream," said Bate. The problem with the approach is that it severely limits profit potential. For initial products like the hepatitus B vaccines, Biogen received just $80m in royalties on some $700m in sales.

"There is the danger in following an ultra-conservative strategy that a company will become little more than a coupon clipper," said Goldberg. In the wake of the Centocor incident, Biogen feels its stance is vindicated. "We're a little less sexy than other biotech firms, but it's the time to be," said Bate.

One money-making gem, Genzyme, has its own recommendation for risk control: old-fashioned conservative fiscal management. "We never finance research for a product we can't afford, said Termeer. "We use our own money to finance development, and if it's too expensive, we just drop the idea."

Genzyme's chairman has little respect for the methods of heavy risk-oriented companies. "Some groups in the sector start spending and hope for FDA approval before the money runs out," he said. "As the time for approval draws near, they're making tremendous losses."

Ultimately, it may not be the biotechnology groups themselves which decide how much risk they will take on. The sector's future depends on investors' willingness to put up venture capital, and some experts believe Wall Street's love affair with high-risk biotechnology groups may be over. According to Gabriel Schmergel, chief executive officer of Genetics Institute. "If you win, you'll win big, and if you lose you'll lose big. The problem is, nine times out of ten, you lose."

Technically Speaking

Prejudice in the classroom

By Andrew Adonis

IT'S BACK to the drawing board for technology teaching in England and Wales. The subject was made part of the national curriculum two years ago, which means that all pupils up to the age of 16 must study technology in a form determined by ministerial order.

Britain is the first country in Europe to enshrine the subject as a compulsory part of the school timetable up to 16. Together with ventures like the City Technology Colleges and the Technical and Vocational Education Initiative, it was intended to redress the bias of the traditional curriculum against the practical and applied, and give an entrepreneurial edge to Britain's rising youth.

It may still do so – but not as currently taught in schools. A highly critical report last week by the schools inspectorate led John Patten, the education secretary, to set up an "urgent inquiry" into the current régime, with a view to producing a new curriculum and revised syllabuses for the GCSE exam within three years.

The inspectorate found technology teaching to be poor in 40 per cent of secondary schools. The most common problems were ill-prepared staff, inadequate facilities and an over-complex curriculum framework with too little emphasis on relating theory to practical skills.

First and foremost, schools were found to have had insufficient support in getting technology up and running as a new subject. Lack of support staff was found to be a weakness – in many cases a damaging side-effect of the policy, supported by all political parties, of devolving more resources from local education authorities (Leas) directly to schools.

"At a time when teachers need advice and support with the introduction of technology," said the inspectorate, "many Leas have reduced the number of advisory teachers and closed specialist in-service training centres, often in order to reduce expenditure and to enable them to delegate more money to schools."

As to equipment: surprise, surprise, only half of all girls-only schools have adequate facilities for teaching craft and design, and even fewer boys-only schools cater for work with food and textiles. Yet more demands, then, on hard-pressed capital budgets.

On the wider issue of teaching the subject, many schools were found simply to be ignoring the rules. For the most part (in the jargon) they were concentrating on "artefacts" at the expense of "systems" and "environments". The Engineering Council is blunter: too much school technology, it says, is "Blue Peter" stuff, a semi-serious break from "real" work.

The inspectors noted one secondary school where pupils spent three weeks trying to identify a need associated with the theme of "communication". By the end of it several had become "disillusioned" and in week four "brought in their own ingredients and made a pizza". It may be that the training and commitment of staff are more at fault than syllabuses, but the inquiry has been asked to look at them again.

Integrating the component parts of the subject into a coherent whole is a challenge many schools have yet to meet. "Technology" is supposed to be more than the sum of art, craft, design, home economics, business education and information technology. Pre-1990, few schools offered all of those; many taught only two or three.

The inspectorate divides schools into three: those taking a "federated" approach, with staff planning together but teaching only their specialism; those who keep everything separated rigidly; and those adopting a fully integrated approach. It likes the first approach best.

Underlying it all remains the problem of ingrained prejudice. Too often schools still see technology as cooking and metalwork – pursuits to keep the less able from wreaking havoc with the physics or Latin. Unsurprisingly, the inspectorate found little worthwhile business education in technology courses. That, after all, might even make Mastermind.

THE WEEK IN LUXEMBOURG

Member states must be consulted about social fund grant reductions

EUROPEAN LAW

The European Court of Justice last week overturned European Commission decisions to reduce European social fund grants for employment training projects in three cases involving Portugal.

In one case concerning the retraining of unemployed people over 25, especially from the small business sector, the Commission failed to give Portugal the opportunity to comment on the proposed reduction in the grant.

Under social fund rules, the Commission may reduce the final financial contribution when conditions attached to the initial grant are not satisfied. But the member state concerned must have an opportunity to comment beforehand.

In the other two cases concerning training projects for people under 25, the ECJ said the Commission's decision infringed the Treaty of Rome's requirements to state adequate reasons.

The Court held that Italy could not justify a very low permitted quantity of a food additive on health grounds

Although the decision referred in general terms to certain expenditure being outside the grant as one reason, the Portuguese applicants had not been informed of the method used for calculating their individual reduction.

The Commission explained that its standard practice was to issue short *pro forma* decisions under European social fund powers. The Court said this practice was inadequate to meet the standards of reasoning it required when decisions have financial effects.

Following these cases, Community countries should be able to insist on greater participation and respect for their rights under social policy measures administered by the Commission.

Cases C-157/90, C-181/90 and C-189/90, Infortec, Consorgan and Cipeke v Commission, ECJ 2CH 4 June 1992.

Equal Pay and Social Security in Germany

The ECJ also ruled last week that a German law discriminating between part-time and full-time employees is prohibited by Treaty of Rome sex discrimination rules, when the part-time employees are mostly women.

The Court said, in particular, that a national law will infringe EC equal pay law if it allows employers to pay part-time workers on the basis of their part-time hours, when they undergo full-time training in connection with worker representation, and full-time workers in the same situation are paid on the basis of their full-time commitment.

Case C-360/90, Arbeiterwohlfahrt der Stadt Berlin v Monika Botel, ECJ 6CH 4 June 1992.

The court also interpreted the EC social security rules in favour of an Italian worker who was in dispute with his German employer.

The Italian wanted six weeks' pay under German law on the basis of evidence of his incapacity to work arising from illness on holiday.

The Court said that the employer could be held liable to pay the money even though it was not a social security institution.

Case C-45/90, Paletta v Brennet AG, ECJ FC 3 June 1992.

Free movement, public procurement and VAT in Italy

An Italian law restricting beer imports with quantities of sulphur dioxide above 20 mg per litre has been condemned by the ECJ under the Treaty of Rome's free movement of goods rules.

The question arose in criminal proceedings against imports of French beer lawfully made and sold in France by Brasserie Fischer with 36.8 mg of sulphur dioxide per litre.

Following the approach adopted in previous cases to available national and international scientific evidence, the Court held that Italy could not justify such a low permitted quantity of the additive on public health grounds. For example, twice the quantity was permitted in wine.

Cases C-13/91 and C-113/91, Debus, ECJ 5CH 4 June 1992.

The Court also condemned Italy's law intended to implement a 1971 EC public procurement directive in the field of public works.

Two provisions of the law infringe the Treaty prohibition of discrimination on the ground of nationality against providers of cross-border services.

First, the law reserves 15-30 per cent of works to companies with their registered office in the Italian region concerned. This is also contrary to the provisions of the directive itself.

Second, preference is given under the law to temporary associations or consortia established in the region. Whether or not this amounted to overt nationality discrimination, it still amounted to discrimination against companies from other member states.

Cases C-360/89, Commission v Italy, ECJ FC, 3 June 1992.

Italy has also been found by the Court to infringe its obligations under the EC Eighth VAT Directive by systematically ignoring the six-month period for refunding VAT to non-resident tax payers.

Case C-287/91, Commission v Italy, ECJ FC, 3 June 1992.

Customs Classification, Valuation and Imports

In a series of cases last week, the ECJ clarified the customs tariff heading for non-sterilised blood serum of veal foetuses *(Case C-318/90)* and the definition of "Morello cherries in syrup" for the purposes of EC import and minimum price rules *(Case C-246/90)*.

Of more general interest, the ECJ has confirmed that the cost of credit, agreed separately to the price of goods, in consideration of delayed payment is not to be included in the customs value of the goods. *(Case C-21/91).*

Mars Ice Cream Suspense

Court of First Instance President, Cruz Vilaca, has given interlocutory orders in the EC competition law dispute over the distribution of Mars ice cream products in Germany.

Two German ice cream distributors who had refused to sell Mars ice cream products appealed against a Commission interim decision requiring them to sell the Mars products through their outlets. Simultaneously, they requested the CFI to suspend the Commission's decision until their appeal had been decided.

The president's order postpones full consideration of the interim suspension application until the parties have supplied further relevant trading information. Until then, the Commission's decision is suspended.

The order also allowed Mars to intervene in support of the Commission and accepted confidential treatment claims by Langanese, one of the German distributors, for parts of its submissions containing business secrets.

The ECJ has confirmed that the cost of credit is not to be included in the customs value of goods

Cases T-24/92R and T-28/92R, Langanese and Scholler v Commission, CFI Order of the President 8 May 1992.

Sunday Trading

Last week was unusually busy for the ECJ. As well as delivering 11 judgments, the Court held oral hearings in the UK Sunday trading cases referred to the ECJ from the House of Lords and other UK courts in an attempt to resolve the Sunday trading conundrum caused by Treaty of Rome rules on the free movement of goods.

BRICK COURT CHAMBERS, BRUSSELS.

PEOPLE

Grand Met's drinks expert takes food

George Bull, who has piloted Grand Metropolitan's drinks business, International Distillers and Vintners (IDV,) as it grew into the world's largest wines and spirits company, is now moving to head Grand-Met's expanding food operations.

This follows the promotion earlier this year of Ian Martin, who led the acquisition and integration of the US Pillsbury food operations, to group managing director and chief operating officer, under Sir Allen Sheppard, chairman and group chief executive.

Bull, 56, will take over as chairman and chief executive of the food sector – which includes Pillsbury flour and baking products, Green Giant vegetables and Häagen-Dazs ice cream – on July 15. His task will be to build the business, through acquisitions and joint ventures where possible, to match the scale of the drinks operations. The food sector contributed £300m in trading profits last year compared with IDV's £454m.

Joining one of the founding IDV companies in 1957, Bull held a series of posts in the business before becoming chief executive in 1984. The company's volume sales are now the largest in the world – more than 96m cases of wines and spirits a year, including brands such as Smirnoff vodka and J & B Rare Scotch whisky. It has achieved 25 per cent compound growth in trading profits over the past five years.

John McGrath, 53, who was appointed managing director and chief operating officer of IDV last year, will succeed Bull as chief executive and joins GrandMet's board immediately. He came to GrandMet from Compair in 1985 and headed the group's brewing operations until the pubs-for-breweries swap with Courage.

He was responsible for the reorganisation last year of IDV's international business into four geographic regions.

Putting something back

Gordon Milne, who resigned as managing director of Scottish Metropolitan, the Glasgow-based property company, in January, is to become visiting professor of land economy at Aberdeen University. The part-time post will involve Milne, who is 55, teaching and researching on property and land use - thereby also helping the university bridge the notorious gap between academe and the business world.

In this latter role Milne will tell companies what the university's department of land economy can offer them, with the aim of developing consultancy services and obtaining sponsorship for research – all part of the way in which universities try to diversify their sources of income.

He will target companies which either have big property interests or operate in the land economy department's special field of marine resources management, which covers such things as fishing and fish farming.

Milne is not a graduate himself. But he knows Aberdeen University well, having delivered an annual Scottish Metropolitan property lecture since 1974. Having been forced to resign from the company he was long identified with, by institutional investors annoyed when recession forced it into loss, he say he regards the new post as a "mid-career switch by means of which I can put something back."

Being number one

Hays, the business services group, has picked David Tibble, head of financial control at BTR, as its new finance director, with Graham Williams promoted into the new position of corporate development director.

Tibble, 40, was a contender for the job of finance director at BTR himself, but the company went outside to pick Kathleen O'Donovan, the 35-year-old former Ernst & Young partner who has so impressed the City since she was appointed last year.

Hays chairman Ronnie Frost said yesterday that "after a six month search I am delighted to have found someone who thinks it worthwhile to move to a smaller company to be number one." The experience in the financial work of a bigger company, and one that has "attacked and acquired aggressively" is what Frost says he was looking for.

Frost has repositioned 49-year-old Williams, who was himself keen to move from pure finance onto the commercial side of the business, in preparation for an ambitious programme of acquisitions domestically and abroad. Frost aims to double the company's size in the next three years. "Graham speaks perfect French and negotiable German" says Frost, adding that he will continue "to be supportive with the City" until Tibble's feet have been under the desk for a while.

Finance and insurance

■ Edward Lacy (above left) and Agus Djojomartono (above right) are joint general managers of the new London branch of BANK EKSPOR IMPOR INDONESIA.

■ Eddie McCutcheon, John Hughes, and Roderick Davidson join the board of ALBERT E SHARP HOLDINGS.

■ Neil Harland is promoted to md, Corporate Banking Group, at BARCLAYS BANK. He has been UK director of that group, and a director of BZW Ltd. Chris Lendrum, previously regional director of the London Northern region, is promoted to deputy md in the banking division.

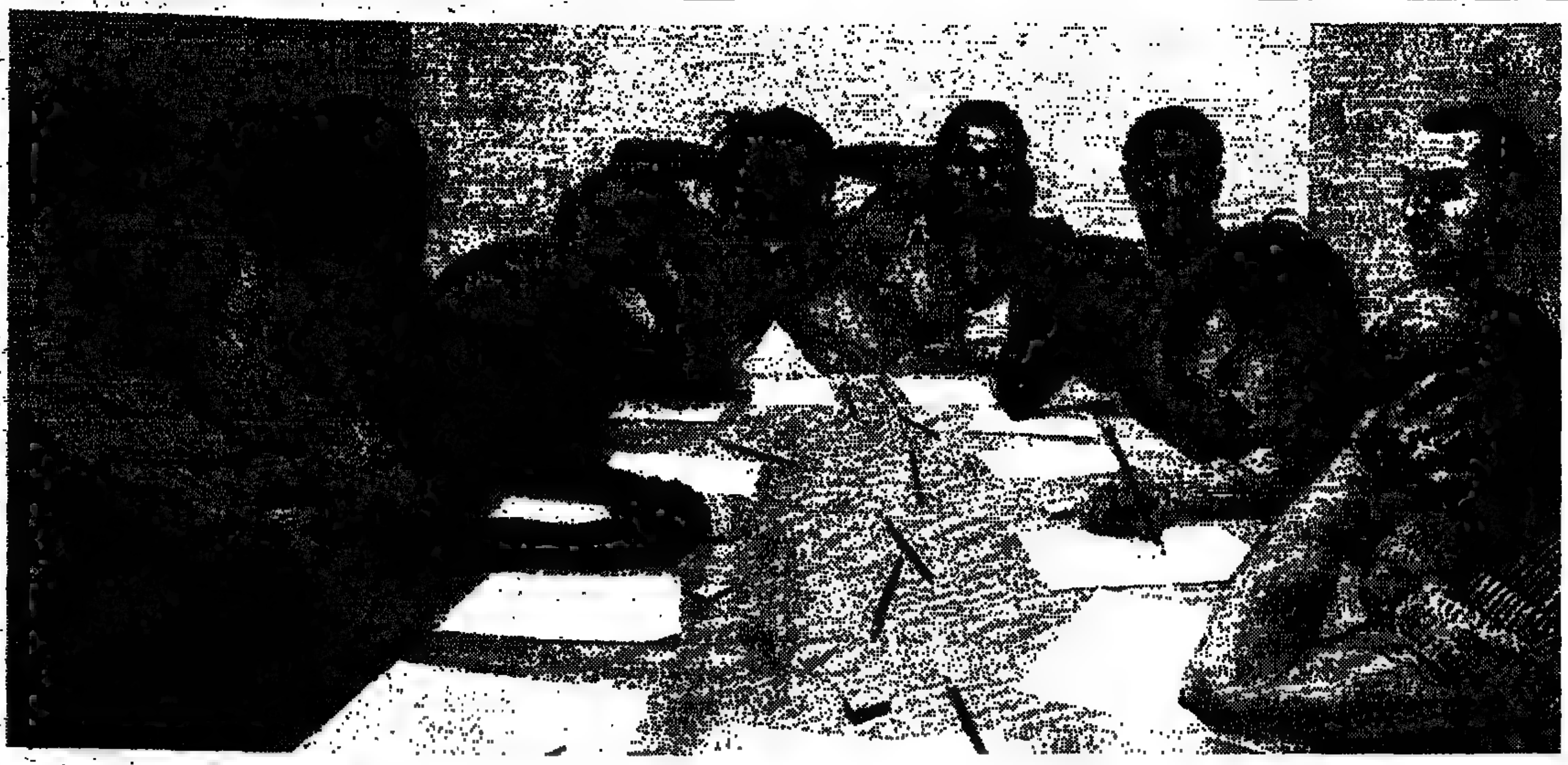
■ Nicholas Watts is appointed a director and chief international investment officer of SOCIETE GENERALE TOUCHE REMNANT.

■ Francis Kidd is the new chairman of MERCANTILE BUILDING SOCIETY. Dan Burton, who is retiring as chairman, continues as a director.

■ John Thomson is stepping down as chairman of life assurance group London & Manchester after the company's 1993 annual general meeting when he will hand over to David Hubbard.

■ Fraser Campbell joins the board of the BANK OF SCOTLAND, and becomes general manager of the Central Banking Services division.

■ Sir Christopher Foster has been named as transport secretary John MacGregor's special adviser on the privatisation of British Rail. Sir Christopher is a senior partner, and adviser to the chairman, at Coopers & Lybrand. "(His) broad and distinguished experience in transport and privatisation made him an ideal candidate to advise on the complex issues which lie ahead" MacGregor said yesterday.



First prize: 'Her Majesty's Pleasure' by Lucy Willis

BP Portrait Award/William Packer

Why the sum is greater than the parts

The measure of any regular exhibition chosen from an open submission of work is not so much its particular qualities and differences in any given year, but the nature of the constituency it sustains in the longer term. By such a standard the Portrait Award can only be judged an remarkable success.

Of course the work each year will be different, especially so, as is the case with the BP Portrait Award, when an age limitation, up to 40, takes old regulars out of contention while new faces appear. No such show can ever be better than the work submitted, yet it is curious how often the sum seems to be greater than the parts. There are large paintings and small; conversation-pieces and single figures; full, half and three-quarter lengths; heads alone. The range of practical approach is quite as wide, from the loose and indulgently expressionist to the most closely observed and clearly stated.

That range is fairly reflected in the works singled out for prizes and commendation: with Alec Chanda's large, loose and ambiguous painting, of a figure in a wheel-chair, winning the £4000 second prize and the Travel Award that now goes with it, on the one hand; and Ishbel Myerscough's half-length "Hairy Man" on the other, a closely objective scrutiny of the figure in the manner of the 16th century German masters, that takes the third prize of £2000.

One always disagrees with the judges, all the more so when the standard overall is admirably high and so many of the entries in consequence manifestly unlucky. Emily Feaver for example, with her disarmingly straight-forward full-length self-portrait, deserved at least a commendation. Of the six actually commended, with a consolation of £500 apiece, both Michael Clark, with a dense impasto grisaille head of an old woman, and Martin Churchill, with his two slaughtermen at work in the abattoir, were unlucky not to get more.

The Clark especially raises certain questions, for it is quite small and deals only with the head, which is beautifully realised. Yet it is the larger work that so often wins, as though to say that size itself denotes a more serious purpose and ambition. This year both the first and second prize-paintings may be fairly described as large.

The commended painting by Brendan Kelly, of a seated figure with a second, standing figure seen through the open doorway, raises a second point. The conversation-piece is a tradition in itself, and with its particular opportunities and limitations it might warrant a category, if not a competition, of it own.

Which leaves Lucy Willis the winner of the Award for 1992 of £10,000, and a further commission of £2000 to be arranged with the National Portrait Gallery. Her painting, "Her Majesty's Pleasure", shows some ten or eleven prisoners sitting at a table, doing nothing. It is an awkward, quirky painting, arbitrary in composition, in part closely observed, in part ill-drawn and unresolved: a nervous, worried flicker of black hair and blue shirts across the yellow canvas, arms, elbows and pencils staccato across the table. It is at once visually worrying and oddly disturbing, a powerful image.

With the Royal Academy and its Summer Show inevitably dominant, the work of the other exhibiting societies tends to be overshadowed. The Royal Society British Artists dates back to the 1820s and has counted such luminaries as David Roberts, Whistler, Sickert and Peter Greenham among its presidents. Its annual show is now on which, like the Royal Academy, needs no more than a willingness to search out the particular from the mass, and draw one's own conclusion. It seems less crowded than usual, perhaps for being so well hung by its current president Tom Coates. Among much else, I would recommend his work and that of Edward Bishop, Fred Cuming, Jack Millar and Hans Schwarz, and a French landscape and a bunch of geraniums by Jim Russell.

The BP Portrait Award 1992: National Portrait Gallery, until September 5: sponsored by British Petroleum. The Royal Society of British Artists Annual Exhibition: Mall Galleries, until June 13.

Artists' worlds converge in London

Hurrying down Brick Lane on my way to the EDGE office, pushing against the tide of men heading for Friday prayers, suddenly I lost all sense of being in London, indeed of being in any place familiar to me. This was somewhere else, not east not west, not north not south, but a place which was all of these, a place made of things I knew but could not recognise. Just for an instant, the world had changed.

Not all the works to be seen in the *EDGE Biennale of Innovative Visual Art*, which runs until June 14, offer so vivid and unsettling an experience, but most of them at least try. And pushing through the streets finding them, from Spitalfields to Docklands and back north to Hornsey, is all part of the show.

This year, the third time the biennale has been held, it reached heights of ambition which almost overwhelmed even its redoubtable directors, Rob la Frenais and Tracey Warr. Since the first show in Clerkenwell in 1988, EDGE has always had an international cast of artists and several locations – Glasgow, Newcastle and Rotterdam in 1990. This year Europe's Culture Capital, Madrid, was approached and persuaded to host the show jointly with London, thus also offering the enticing possibility of European as well as UK-based funding for the show.

In an exhibition which attempts such a lot – to symbolise a united Europe, to question, in several of the pieces by artists from the Americas, the "achievement" of Columbus and to create, through the environments, performances and installations the artists made especially for sites in both cities, genuine new worlds, a new order of the imagination – the possibility for failure is enormous. The remarkable thing about the show is that, despite its sometime chaotic interface with the viewing public, clutching inadequate maps on their voyage of discovery, it often succeeds.

Some of the most accomplished pieces are situated conveniently close to the EDGE centre in Brick Lane, where dubious maps and a handsome catalogue are available, along with news of any artworks which may not be accessible that day. Turning back from one of the huge models of guns made by Czech artist David Cerny which dot the neighbourhood as part of his piece "The Day of Killing", a short stroll brings the visitor to Commercial Street where the disused underground toilet, not the Hawksmoor church, is the object of attention. Down the steep stairs (you must choose whether to descend by the English or the Irish side) Irish artist Dorothy Cross has constructed a urinal with a difference – a beautifully cast bronze map of the British Isles, each of the two island masses which form the bowls drained by a sensitively modelled penis.

Nearby, in an empty unit of Spitalfields market, in a space carefully swept and lit, stands a font. Instead of the baptismal water, its bowl holds a mass of strawberries, which a mechanical hammer pounds slowly into a pulp: the fragrance of crushed fruit fills the air. On the wall, the redness of more crushed fruit, displayed behind four neat glass ovals lit by naked light bulbs, reveals at the centre of the sticky mass the white brick of the wall forming the letters RAGE.

Leaving this pristine and yet decaying environment, the work of British artist Helen Chadwick, a further short walk to Broadgate reveals a vista of an Indian village, or at least its human and animal inhabitants, arrayed in neat ranks on the piazza above the station concourse. The sculptures, by Indian artist Nek Chand Sinai, seem both ridiculously exotic and completely at home in their new setting.

Wandering further, near Tower Hill in the old seaman's church of St Paul's, Spanish artist Pepe Espaliu has created perhaps the most satisfying piece in the show. It is very simple. In front of the disused altar, miraculously, water runs, covering the marble expanse and trickling gently over the steps, where it drains away. In the water sit the hassocks from the empty pews, not exactly floating, not exactly praying, but seeming to do both, objects interceding for the congregation which has deserted them. Also in the church, a delicate piece by Martha Fleming makes use of shells and a mirror which cannot reflect, although its viewers can.

Those with transport can find other pieces at Allen Gardens, Tobacco Dock, Trinity Buoy Wharf, the Chisenhale Gallery – a beautiful installation by Rose Finn Kelcey featuring a cloud of steam – and in the disused swimming baths in Hornsey Road, where Maria Klonaris and Katerina Thomadaki have created a huge, hermetic environment presided over by an angel (be sure to check first by phone whether this piece is open).

Politics, sex, colonialism and prayer are but a few of these artists' subjects: on a bad day, when the tube gets stuck and the exhibition sign has fallen down, this diversity of concerns and difficulty of location can make the whole complex enterprise seem a bit much, even a bit silly. But it is not. In a world in which city life necessarily involves the parallel existence of many different universes, seeing but not knowing each other, experiencing art works in this way heightens our awareness of the infinite strands of history and possibility which make up urban life.

Lynn MacRitchie

The EDGE information Office is at 148 Brick Lane, E1, tel: 071-377 2576.

Recital/Paul Driver

Montserrat Caballé

After the success of last year's "Music for Life" day on the South Bank, the Aids fundraising body Crusaid organised another such jamboree last Sunday. Throughout the morning and afternoon musicians were doing their thing on a voluntary basis: many and varied things, including Judith Weir's mini-opera *The Small Moments (In Life)* in the Royal Festival Hall ballroom, a performance in the Elizabeth Hall by an ensemble of six pianos (Piano Circus), and a staging in the Festival Hall by the Finchley Children's Music Group of Britten's church opera *Noyes Fludde*.

The day had a glowing gala resolution in the form of an evening recital by Montserrat Caballé and her fine pianist Manuel Burgueras at the Royal Opera House.

The soprano was a friend and unlikely artistic partner of the late Freddie Mercury; thus her contribution to AIDS fund-raising here and elsewhere has personal poignancy. She offered one of her familiar chronological (or near enough) programmes, starting in High Baroque, ending in the demotic style of the *zarzuela*, and the whole sequence laced with theatricality and camp appeal.

Her three Vivaldi arias immediately assured us that the voice was in powerful shape, as doughtily heroic as meticulously controlled; grandly assertive and, if never exactly delicate, capable of wonderfully precise focus. The wife's complaint "Sposa, son disprezza" (from *Bajazet*) had passionate purity of line as well as pure passion of utterance.

Caballé is to lead the Royal Opera's new production of Rossini's *Il viaggio a Reims* in July (celebrating the 20th anniversary of her house debut), and her Sunday selection of Rossiniana displayed her characteristic gift, not much dimmed by age, for hard coloratura brilliance and the ringing, knowing top.

She has never perhaps been the most beguiling and simply seductive of singers, and one missed the note of unaffected sentiment in her Massenet songs and, more surprisingly, the touching Andalucian intensity of Turina's "Canción de cuna".

Sometimes one felt that delicacy and pathos for Ms Caballe are mere diminution of force rather than mettlesome qualities in their own right.

But she made the subtle patter of the *zarzuela* song, "Marinela", absolutely captivating, and as an encore rendered Puccini's brief "O mio bambino caro" with plausible pathos if not first freshness. She turned a longer Massenet encore into a finale of astonishing stamina and flair. One more encore, then the house came tumbling down, and everyone rose to his feet.

Opera/David Murray

Jenufa

In the stirring revival of Janácek's *Jenufa* at Glyndebourne, Anja Silja has been universally praised as the Sextoness (the "Kostelnicka"), Jenufa's stepmother – and arguably the tragic heroine of the opera. Twice in the run, however, the role has been assigned to Susan Bickley: last Sunday, and also on July 17. I can assure any readers who have booked for the latter performance that they needn't fear disappointment. The formidable strength and depth of Miss Bickley's Kostelnicka belie her still-tender years. Quite rightly, she won vociferous acclaim on Sunday.

I have not seen the Silja portrayal, but Miss Bickley cannot be simply stepping into her shoes, for these two performers are alike in nothing but their dramatic dedication. The Bickley Kostelnicka is neither a tyrant nor a hypocrite; at least, she isn't *played* as either of those things. If in the course of events she proves to be both, it is a bitter discovery for her – and not, therefore, a come-uppance to be relished, but genuine tragedy.

Though she moves with heavy dignity, she does not arrive in Act 1 as a moral bully (and therefore makes less immediate impact than Kostelnickas who think they are Katishas). For once, her fatal refusal to let Jenufa marry Steva until he has spent a whole year sober seems like mature commonsense, against the sentimental cries of "Hard-hearted!" from the chorus. From Act 2 to the end, while she turns the disaster of Jenufa's pregnancy into a worse disaster of her own, she pours out anguished feeling on a grand scale.

There is hard steel in the Bickley timbre, as a Kostelnicka needs, but her phrases have the ring of searing candour – not melodramatic or self-righteous, but saturated with clear-eyed desperation. She is too stiff-necked to plead for our sympathy, and thus earns it in spades. Vocal steel like hers will be more comfortably accommodated, we all hope, in the larger new Glyndebourne house. And the sound of a Janácek orchestra, too: it was no fault of Yakov Kreizberg, who conducts the score with incisive understanding, that the result – always compelling – was sometimes gritty.

Theatre/Frank Lipsius

After communism in Hungary

In Budapest, two impresarios meet on a cloth-draped stage to negotiate a change of management for the bankrupt theatre in a spoken preface to the Erkel Theatre's new production of *Orpheus in the Underworld*. In the third act, the misplaced wanderer in hell mixes his drunken panegyric to sexual prowess with snide comments about the limp minister of finance. Thus has the once ear-straining subtlety of anti-government innuendo in Hungary given way to blatant invective, as the conservative coalition proposes a parliamentary bill to impose more "responsibility" on the outspoken Press.

Even more telling are the sheer exuberance, stylishness and sexuality of Viktor Nagy's production, a stark contrast to a drab seriousness of the theatre under the Communists. Attila Csikos's sets evoke the playfulness of an Olympus revelling in its excesses, led by Bela Kartza's winking Jupiter. Hades has never been decked out more fittingly as a fin-de-siècle brothel. The final scene's can-can for the gods may not have been as shocking as in Offenbach's own first production in Paris, but it marked a departure from the recent past in Budapest.

Budapest's internationally celebrated Katona Jozsef Theatre, fresh from a visit to Australia, finds new richness in the naturalism of Chekhov's *Platonov*. A production ten years ago at the nearby Jozsef Attila Theatre plunged into the dark recesses of Chekhov's youthful imagination; this one has a much more off-handed air, breezily placed among the comfortable Russian bourgeoisie enjoying a holiday. Director Tamas Ascher makes the servants clumsily open a deck chair and foolishly wander the room to further mock the old regime.

A six-year-old production of Gyorgy Spiro's *Chickenhead* at the same theatre is a reminder of what used to pass for realism: squalid public housing victimised by juvenile delinquents, a pair of inarticulate toughs themselves victims of welfare indifference and cruelty. With a pair of comic cops to round out the picture, Gabor Zsambeki's production veers from the oppressive-realist to the absurd, capped with a violent climax to round out a perfect reminder of what passed for civil disobedience in the old days.

Appropriate as these productions seemed to post-Communist Hungary, they gave as deceptive a view of the new order as the country's optimistic economic figures. What in the old regime was stodgy and simple has become fundamentally unstable despite a patina of exuberance and refreshing frankness.

The immediate danger to Budapest theatre is financial: the national government has turned the vast majority of theatres over to the city council, retaining only the National Theatre and Opera. As part of the National Opera, the Erkel shows how much national support can mean. But even here, *Orpheus* may be one of only three new productions this year, compared to a dozen in years past.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Beurs van Berlage 20.15 Gidon Kremer, Thomas Demenga and Elsbeth Moser plays works by Schnittke and Gubaidulina. Tomorrow and Thurs: Vassili Sinaiski conducts the Netherlands Philharmonic (6270 466)
Muziektheater 19.30 Nikolaus Harnoncourt conducts Alfred Kirchner's production of Don Giovanni, also Thurs and Sun afternoon (6255 455)

BOLOGNA

Teatro Communale 18.00 Riccardo Chailly conducts Roberto de Scimone's production of La Cenerentola, with Cecilia Bartoli, Claudio Desderi and Lucio Gallo, also Thurs, Sat, next Mon and Wed. Tomorrow: Chailly conducts Rossini string sonatas (529999)

FRANKFURT

DANCE/MUSIC
● 42nd Street, the award-winning Broadway musical, opens a four-week run tonight at the Alte Oper (1340 400)
● A new production of choreographies by Ohad Naharin, Alonzo King and William Forsythe opens at the Opernhaus on Sat (also June 18, 20, 21). Sun: Carmen. Peter Sellars' celebrated production of Nixon in China can be seen on July 2, 4 and 6. Trisha Brown Company gives performances on July 1, 3 and 5 in the Schauspielhaus (236061)
THEATRE
● A new production of Lorca's Dona Rosita la Soltera (1935), directed by Wolfgang Engel, opens at the Schauspielhaus on Sat. This month's repertory also includes Chekhov's Uncle Vanya, Shakespeare's The Merchant of Venice and a new play by Peter Handke (2123 7444)
● Frankfurt's English theatre company has Fences, a drama by American playwright August Wilson, daily except Mon till June 28 (2423 1620)

THE HAGUE

Danstheater 20.15 Nederlands Dans Theater in four choreographies by Hans van Manen. Repeated tomorrow, Thurs and Fri (360 4930)

LONDON

Barbican 19.45 Opening concert of London Opera Festival: Sumi Jo and Raul Gimenez sing arias from the bel canto repertoire. Tomorrow: Maureen McGovern (071-638 8891)
Coliseum 19.30 Mark Elder conducts David Pountney's production of Falstaff, with Benjamin Luxon, also Thurs. Tomorrow: Madam Butterfly (071-836 3161)
Royal Festival Hall 19.30 Andrew Constantine, winner of the 1991 Donatella Flick conducting competition, conducts the LPO in works by Tchaikovsky, Rakhmaninov and Prokofiev, with Montserrat Caballé and Nikolai Demidenko. Tomorrow: Carmina Burana (071-928 8800)
Sadler's Wells 19.30 Ballet du Rhin triple bill: Antony Tudor's Dark Elegies (1937), Claude Brumachon's Hawk's Lament and Oscar Araiz's Carnival of the Animals, repeated tomorrow. Thurs, Fri, Sat: La fille mal gardée choreographed by Ivo Cramer (071-278 8916)

MUNICH

● Tonight at the Staatsoper, Wolfgang Sawallisch conducts Die Agyptische Helena, with Gwyneth Jones in the title role (also June 12, 15, 18). Tomorrow: ballets by Balanchine, Christe and Kylian. Thurs: Makropoulos Case with Hildegard Behrens (also June 17, 21, 24). Sat: John Cranko's Onegin. Sun: Fidelio. The theatre will be closed from June 25 until the opening of the Munich Opera Festival on July 5 (221316)
● Elton John gives concerts at the Olympiahalle tonight, tomorrow and Fri (299901)
● Dance Theatre of Harlem gives daily performances from tomorrow till Sun this week at the Deutsches Theater (5144 360)
● Munich's Kammerspiele has the first night of Klaus Pohl's Die schöne Fremde on Sat. The play explores attitudes of xenophobia and intolerance in the German provinces. The repertory also includes Goethe's Stella directed by Thomas Langhoff and Samuel Beckett's Happy Days directed by Dieter Dorn (23721 328)
● A selection of theatre and concert tickets is available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11

NEW YORK

JAZZ
Blue Note Jazz Club and Restaurant First of a five-week "Summer Heat" series featuring Latin jazz artists. This week's guests are Eddie Palmieri and Jack Dejohnette Special Edition. Showtimes at 21.00 and 23.30 daily till Sun, with an extra show at 01.30 on Fri and Sat (475 8592)

PARIS

THEATRE
Les Bonnes (The Maids, 1946), one of Jean Genet's best-known plays, is showing at Studio Théâtre de Vitry till June 30 in a much-praised production by Alain Ollivier (4681 7550). Jerome Savary's production of Twelfth Night runs till June 20 at Théâtre National de Chaillot (4727 8115). Théâtre National de la Colline has two plays by Stephen Berkoff, Greek and Kvetch, both directed by Jorge Lavelli (4366 4360).
DANCE/MUSIC
Théâtre de la Ville 20.30 Cullberg Ballet in two Mats Ek choreographies, daily till Sat (4274 2277)
Opéra Bastille 19.30 Arnold Ostman conducts Le nozze de Figaro, with Margaret Price, Tom Krause, Manfred Hemm, Adelina Scarabelli and Susan Quittmeyer. Also June 11, 13, 17, 20, 23, 25 (4001 1616)
● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8896

VIENNA

Musikverein 19.30 Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in Zemlinsky's B major Symphony (1897) and Strauss' Also sprach Zarathustra. Repeated tomorrow (505 8190)
Staatsoper 19.30 Tosca. Tomorrow: Boris Godunov (51444 2960)

WASHINGTON

MUSIC
Robert Shaw conducts Beethoven's Missa Solemnis tonight at Kennedy Center Concert Hall. Tomorrow: David Zinman conducts the Baltimore Symphony Orchestra in Jacob Druckman's Brangle, Mendelssohn's Violin Concerto (Midori) and Beethoven's Third Symphony. Thurs: Nikolai Petrov, Cristina Ortiz and Stephen Hough give the world premieres of three piano concertos (by Rodion Schedrin, Lalo Shifrin and Lowell Liebermann) in a concert conducted by Mstislav Rostropovich. Next week: Royal Danish Ballet (467 4600)
THEATRE
● Psycho Beach Party: a revival of Charles Busch's award-winning comedy directed by Jerry Manning. Until June 20 (Source Theater 462 1073).
● City of Angels: Larry Gelbart's musical is set in 1940s Los Angeles. Directed by Michael Blakemore. Opens tonight, until July 19 (National Theater 628 6161).
● Joe Egg: Peter Nichols' sad, funny and thought-provoking play about a couple with a child like a vegetable. Until June 14 (Roundhouse Theater 301-217 3300).
● Illegal Motion: Bernie DeLeo's play about the dark side of big time college sports. Starring John Riggins, Football Hall of Famer, in his first professional stage role. Until June 28 (Olney Theater 301-924 3400).
JAZZ/CABARET
Blues Alley Jazz Supperclub Tonight's guest is keyboard artist Peter Kater. Tomorrow: Mark Whitfield on guitar. Thurs till Sun: Joe Henderson Quartet (1073 Wisconsin Ave, in the alley, 337 4141)
Filene Center at Wolf Trap Tonight, tomorrow and Thurs: Anthology of Zarzuela. Fri: John Lee Hooker and the Nighthawks. Sat: Wolf Trap Gala. Sun: James Brown, with Martha Reeves (703-218 6500)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2100-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0630-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1050-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
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Tuesday June 9 1992

A state well worth saving

THE COLLAPSE of communism has already led to the destruction of two federal states – the Soviet Union and Yugoslavia. The results of the weekend elections in the Czech and Slovak Federal Republic suggest that Czechoslovakia might go the same way. It is a prospect which politicians in both republics should seek to avoid, and towards which western Europe cannot remain indifferent.

Czechoslovakia is no longer the "far away country about which we know little", left to its fate by Britain and France in 1938. Even then it was the most successful state in eastern Europe. Now it is a potentially prosperous associate member of the EC. It should be able to call on the Community for support at this crucial time, even though the main responsibility for building a workable federation rests with the newly-elected Czech and Slovak leaders.

Their principal objective should be to create the economic and political conditions for Czechoslovakia to become a full member of the EC by the turn of the century. That way lies prosperity and freedom for both peoples.

The danger that an independent Slovakia would slip back towards the turbulent "east", while the Czech lands forge ahead towards EC compatibility, was recently highlighted by President Vaclav Havel. It is recognised by a majority of Slovaks who, according to opinion polls, still prefer to retain some form of link with the Czech lands. Most Czechs are also in favour of keeping the 74-year-old federation. This reluctance to break the union must be taken into account by Mr Vladimir Meciar and Mr Vaclav Klaus, the main election victors, as they start their talks today.

The election results also show that economic policies made largely in Prague have hurt Slovaks, while Czechs, with more hope for future prosperity, have given their support to market reforms. These divergent responses reflect real economic and social differences which have to be recognised and allowed for.

Mr Klaus agrees that the original policy of halting arms exports and cutting arms production was naïve and damaging to Slovakia. If almost everyone else is busily selling arms, it is difficult to see why Slovakia should not. He also recognises that Slovakia's communist-era legacy of dependence on Comecon markets and heavy industrial bias, as well as distance from EC markets, make it particularly vulnerable.

But the Czech lands already subsidise Slovakia by more than $500m a year. Prague and Bratislava could legitimately team up to ask the EC for more help.

In recent months, for example, the Kosice steel plant in eastern Slovakia has found new outlets in France, Greece and other EC markets. Last week, this led to threats of anti-dumping duties. However politically difficult, the EC should keep its markets open. It should also provide assistance for radical improvement in Slovakia's communications with the west. EC funds are under great pressure, but helping keep Czechoslovakia together should be a high priority.

Where compromise seems impossible is over the powers of the federal government. The Czechs are prepared to devolve more powers to the republican and local governments. But Mr Klaus insists on a common currency, a single central bank, close co-ordination of monetary and fiscal policy, rapid privatisation and other market-oriented reforms. Without such powers, it is difficult to see how a federal state could work, or indeed how the economic reforms, now starting to show results, could continue.

If no agreement can be reached, both sides may find themselves facing what they hope will be a "velvet divorce". They should beware. Divorces have a nasty habit of becoming vicious. This is an old, established and hitherto successful marriage. Each side should be prepared to make the compromises needed to keep it going.

Securing pensions

AS Maxwell company pension scheme members besieged the House of Commons yesterday Mr Peter Lilley, Secretary of State for Social Security, confirmed that the government is to begin making payments to dispossessed pensioners and is launching an independent inquiry into the legal framework under which pension schemes operate.

For obvious reasons the government is playing down the implications of its financial support. This is, it says, only a temporary grant of funds until assets illegally diverted can be recovered from the banks. Obviously Mr Lilley is anxious to avoid any general commitment to bail out troubled occupational pension schemes. He prefers to argue that by putting legal and moral pressure on the banks and others involved in this pensions debacle he can recover the government's money. But it is not clear that the state's responsibilities can be judged tangential.

Certainly, the occupational pensions industry will take these developments seriously. The hint of a central state guarantee for occupational schemes could potentially cost schemes very dearly in terms of operational restrictions and legal constraints. The actual and potential risks of occupational schemes have barely been recognised officially, but now they must be considered, whether directly by the state or, more likely in due course, through a formal industry-wide compensation scheme.

Pension schemes will have to be run in ways that make them, in effect, insurable. This will mean following laid-down rules not only on the questions of safe custody of assets and independent inspection of operations which arise directly from the Maxwell affair, but also on prudence in investment and on the maintenance of minimum funding standards. Even the pronouncements of venerable actuaries on the solvency of schemes might need to be brought under the microscope.

The independent committee under Professor Roy Goode has, rightly, been given a broad remit to examine pension scheme law as a whole. It has taken a shocking case of fraud to trigger such an inquiry, but the committee should not feel obliged to confine itself to narrowly criminal questions of security and supervision. Millions of scheme members in the past have suffered losses on a smaller but still serious scale through the inequitable operation of scheme rules; hazards have included poor transfer values and the inadequate protection of pensions against inflation. The ability of employers to access surpluses through contribution holidays, early retirement initiatives and scheme mergers also needs examination.

The role of the government itself must also be examined. Pension law needs to be reconsidered even in respect of such relatively recent law as the Financial Services Act of 1986. Fraud has prompted this welcome review, but the committee will only do its job if it roams across the whole field of occupational pensions.

Housing tenders

THE MANAGEMENT of council housing is the latest public service put out to compulsory competitive tendering. This will be a welcome step for many of the 9m people living in council homes.

For while some local authorities have a good record of managing their estates, others have failed dismally. Rent arrears have mounted to £430m, over 10 per cent of revenue in 29 authorities. The proportion of empty homes ranges from 0.1 per cent to 9.7 per cent. Too many estates suffer neglect which would be unacceptable in the private sector.

Compulsory competitive tendering is now the tried and tested way of dealing with such service failures by exposing them to market competition. Where the council is operating an efficient and high-quality service, the workforce has little to fear. In a minority of cases – if other local services are a precedent – outside firms will take over the management of badly-run estates. Elsewhere, competitive tendering galvanises poor management and forces the in-house team to improve its performance.

Contracting-out housing management is, however, more complex than tendering for services such as street-cleaning. Particular skills are required to manage badly-built and poorly-maintained estates within the tight financial constraints councils work under. The allocation of costs between housing management and other services such as housing the homeless is not always clear. And dealing sensitively with low-income tenants who are strapped for cash requires skill and tact.

For these reasons and others, the government is wise to proceed gradually. It will take time to create a market of competing contractors with the skills and resources to make a success of managing council estates. One source of such managers could be councils with a successful track record of tenant management. The unnecessary bar on councils competing for out-of-area contracts where it is financially prudent for them to do so should be lifted.

Mexico, Canada and the US are set to clinch a Nafta deal, says **David Dodwell**

When the talk turns to trade

A month of intensive negotiations in Mexico City, Toronto and Washington has brought a North American Free Trade Agreement to the brink of settlement. Mexico's President Salinas told the FT last week that talks could be over "in a matter of weeks". Officials talk not of whether, but of when, a deal will be struck.

Even though many details of the agreement have not been disclosed, both Mexico and the US are now confident of net gains from such a regional trade pact. It would integrate the trade of 350m people in Canada, the US and Mexico in a region boasting a total gross national product of $6,000bn. This would make it almost identical to the European Community both in population and in the size of the economy. A recent study by the Washington-based Institute for International Economics (IIE) estimates that it would add an annual $24bn to trade between Mexico and the US by 1995. It would also provide an estimated 600,000 jobs in Mexico, and give the US a net employment gain of 130,000, mainly in the services, distribution and farming sectors.

Unlike Mexico or the US, Canada is equivocal. Its bilateral trade with Mexico is not large enough for the Nafta to make any significant impact on its economy. It already has its own free trade agreement with the US, and if the Nafta in any way erodes the terms of that agreement, there is a possibility that Canada could walk away. In an attempt to avert this danger, negotiators agreed last week to seek bilateral deals where three-way agreement appeared impossible.

For the rest of the world – particularly Asia's fast-growing exporters – the Nafta may give cause for concern as US purchases and corporate investment, are transferred from their economies to Mexico.

Among the most enthusiastic supporters of the Nafta are business leaders in US states which border Mexico. "The North American Free Trade Agreement is a match made in heaven," says Arizona's Republican congressman Jim Kolbe. Viewed from Arizona, such a reaction is easily explained: the Nafta would significantly boost the $2bn a year trade flows between Mexico and Arizona, generating jobs in professional and financial services, creating markets for farm products, and boosting the state's importance as a freight centre.

Reservations about an agreement exist in northern car industry states like Michigan and Ohio, and in textile producing states. Both fear that jobs will be lost to Mexico as companies relocate south of the border. They also fear that Mexico could be used by exporters in Asia as a springboard into the US market.

In spite of this north-south division of opinion over Nafta, recent polls indicate that the economic boost it provides and the jobs created are likely to be a vote winner for President Bush in the presidential election campaign. As a result, negotiations have been brought to the front burner, and lawyers closely involved with the drafting process say few parts of the agreement remain unsettled.

After the recent bout of negotiations, officials say that several chapters of the negotiating text have been "locked up". These include customs regulations, industrial standards, principles underpinning financial services, intellectual property rights, textiles, food safety regulations and rules controlling land transport.

How they shape up

	US	CANADA	MEXICO
GDP per capita, 1988 (US$)	19,678	18,747	2,116
Population, mid-1988 (million)	246.33	25.95	82.73
Employment (million), 1988	[illegible]	12.4	7.4
% in services	[illegible]	69.8	[illegible]
% in agriculture	3.0	4.9	[illegible]
Industrial production as % of GDP, 1987	30	35	34
Capital goods as % of industrial production, 1987	35	25	14
Labour compensation per employee (wages plus fringes), 1988 (US$)	13.92	[illegible]	1.57
Per capita public expenditure on education (US$)	1,126	[illegible]	59
Productivity, GDP/employee, 1988 (US$)	42,461	39,733	7,935
Gross domestic investment as % of GDP, 1986-88	17.3	20.9	19.1
Expenditure on R&D as % of GDP, 1988	2.7	1.3	0.5

Source: Institute for International Economics

Close to agreement are tariffs, rules of origin, safeguards intended to protect domestic industries from import surges and insurance and telecommunications. There also appears to have been a breakthrough on Canadian worries about local-content rules for car production.

The main problem areas remain farm trade, government procurement, particularly at state level and in the construction industry, and energy. On farm trade, it appears four categories of products have been identified, with the least sensitive to be freely traded as soon as the agreement is in place, and the most sensitive retaining protection for between 15 and 20 years. The ultra-sensitive goods – grouped in "Kika's list" in deference to Kika de la Garza, the powerful head of the House of Representatives' Agriculture Committee – are thought to include citrus products, tomatoes, cucumbers, asparagus and cotton.

On the question of Mexico's reluctance to open its energy sector to foreign investment, advisers to the negotiators say Mexico has signalled a willingness to compromise by opening its petrochemical sector, pipelines and petrol stations to foreign investment.

Depending on the pace of progress on resolving these outstanding issues, officials are aiming for a ministerial meeting before the end of June that would initial a final agreement: "It is within the art of the possible to have an agreement this summer," Mrs Carla Hills, the US trade representative, told the FT in Washington last month.

While the US administration believes an agreement is now within reach there is still a question about how best to put the deal through congress. There are not enough days left in the congressional calendar for President Bush to be able to force a final agreement through before November. He has two options: either to initial an agreement before the election, and submit it for congressional ratification in January; or to keep agreement on ice and push everything through after the election.

The first course would give him more time in the new year to get an agreement through Congress, but would leave its terms exposed to attack from political opponents and industrial lobbyists. The second course would avert the danger of Democrat opponents making political capital out of the agreement in some states during the election campaign, but would leave the administration with a rush to present a finalised agreement to Congress before March 1, when its power of "fast track" approval of the Nafta expires.

Mexico's President Salinas, who has been as powerful as President Bush in pushing the Nafta, has different reasons for wishing to see a deal completed quickly. It would lock in the economic reforms of the past seven years. Perhaps more important, the agreement is expected to be a magnet for urgently needed inward investment. President Salinas's conversion to a Nafta followed a disappointing tour of Europe at the end of 1989. His ministerial team received congratulations for the economic reforms they had initiated, but few pledges of investment. His first overtures to President Bush on a Nafta came days after he returned to Mexico from his European tour.

The fear of lost export opportunities, and of being starved of investment funds, have been the main driving forces behind other liberalising countries in Latin America, who are forming a queue behind Mexico for their own free trade agreements with the US. Chile, Venezuela and Colombia are close behind Mexico. Caricom, which groups the Caribbean states, is keen to join the Nafta. Mercosur, which groups Argentina, Brazil, Uruguay and Paraguay, and the Andean Pact, which groups Bolivia, Colombia, Chile, Ecuador and Peru, are close behind.

Mr Sam Laird, an economist at the World Bank, has forecast that a Nafta agreement without multilateral trade liberalisation would cost Latin American countries outside Nafta annual exports to the US market of $222m, as Latin exports to the US would be replaced by those from Mexico. With wider trade liberalisation, this loss falls to $21m.

The issue of whether the Nafta would benefit the world trading system or would divert trade and investment from Asia and Europe is a fraught one. Economists insist that regional trade agreements do not necessarily threaten the world's multilateral trading system. But the idea that Nafta might provide a model for any multilateral trade agreement is overstated, they say. On the contrary, there are protectionist aspects of the agreement which will be hard to swallow for countries outside North America:

- in textiles, the US and Mexico have agreed a "yarn forward" deal which means that all textiles and apparel from yarn through to the finished product must be of North American origin if they are to win duty free access to the market.
- in the auto industry, vehicles will have to have between 50-70 per cent local content to avoid tariffs.
- while Mexico will drop most tariffs on US imports to zero, it is being pressed by Washington to maintain its average 9 per cent duties on imports from other countries. This could make Mexico captive to US suppliers by giving them an effective 9 per cent price advantage over competitors from outside North America.

Such protectionist elements could sour the international trading environment, particularly if the deadlock in the Uruguay Round of world trade talks is not broken. Nafta could thus become a weapon of regionalised trade war. In the face of the EC's "Fortress Europe", Nafta would then draw the ring fence for "Fortress America".

"The risk that regional trade arrangements may turn hostile towards each other cannot be discounted," says a recent World Bank report, adding that this would damage world trade.

Even in Mexico, where the Nafta is important in locking in reforms and securing access to the US market, there is awareness that a regional trade agreement is likely to be second best to global trade liberalisation.

In a wider negotiating forum, such as the Gatt, it can join with other developing countries to maximise negotiating leverage on industrial powers like the US, Japan or the EC. Alone, and heavily dependent on the US economy, its negotiating clout is limited.

"It is not easy to have a neighbour in the US," said President Salinas last week.

Such concerns are echoed by the IIE report. "As a smaller trading power, (Mexico) gains the most from the protection offered by multilateral rules, and has most to lose if confidence in the multilateral system erodes."

The US also stands to lose if regionalism undermines the multilateral trading system. More than 55 per cent of US exports in 1990, totalling $393bn, went to Europe or Asia, while less than 8 per cent of exports went to Mexico. Wider global trading interests mean that the US government sees Nafta reform as a complement to multilateral trade reforms rather than an alternative.

While officials are buoyed by progress concerning a Nafta, their ultimate objective remains a successful conclusion to a stalled Uruguay Round. Without that, the gains from a regional trade agreement will be compromised by the prospect of instability, insecurity and possibly global trade conflict.

Joe Rogaly

Strategy to re-sell a tarnished treaty

If you think that following the Danish rejection of the Maastricht Treaty the British government is up the Rhine without a paddle you are mistaken. It hasn't much of a paddle, but just what kind of a creek it is up is unclear. Mr John Major's cabinet is distinctly nervous, but at least it knows what it proposes to do. There is a broad strategy, which I shall outline in a moment. It lacks precision but it is more or less coherent. Its principal defect is that its success or failure will be determined by the actions of unpredictable tribes, such as the Danes, the Irish, the French, and Conservative back-benchers.

The strategy begins with the simple proposition that it is the government's job to prevent other Europeans from going off on their own to enact policies that deeply affect Britain's interests. To this end the United Kingdom must be a leading participant in European affairs. It must be welcomed as such by the continentals. An unwillingness to accept this self-evidently correct thesis has led to tears and tantrums on many occasions since 1945. Mr Major's achievement has been to inscribe it upon a banner and hold it aloft as the driving principle of his government.

It was under this banner that he and his foreign secretary, Mr Douglas Hurd, worked so hard last year to reach agreement on the shape of a future European Union. Both of them are certain that Britain does best in Europe when it argues its case patiently and persistently, and worst when it appears to be destructive, or leaves an empty chair. They will now work to save the Maastricht deal. In this they regard themselves as blessed with a greater sense of what is politically acceptable than the Portuguese, the French and the Germans, who proposed at a meeting of foreign ministers in Oslo to tell the Danish electorate to go to hell.

In some moods, it appears, the Danish government would have been rather pleased with that. Perhaps they think it would browbeat their opponents. Old hands know better. Mr Hurd persuaded the meeting to produce an emollient communique. At the same time it was established that (a) Danish voters cannot be asked to accept Maastricht unchanged, while (b) there can be no renegotiation.

Mr Major's achievement has been to inscribe Europe upon a banner and hold it aloft

The question of when a renegotiation is not a renegotiation may trouble Cartesian minds, but it is the kind of convoluted thought at which the English excel. One non-renegotiation might be to take the treaty apart, with the essence of it agreed by all 12 signatories including the Danes while some bits - foreign and defence policy, say – would be set up as separate deals among the other 11. The British government is against putting all of the original treaty into a new Maastricht of the 11. That is "not on."

A different non-renegotiation, apparently favoured by Mr Hurd, would be to try to show the Danes (and the Tories) that Maastricht represents an end to the process of centralising the control of EC affairs in Brussels. Article 3b of the treaty, the one that states the principle of subsidiarity, would be highlighted, perhaps by having everyone sign a new document affirming that that is the way in which the future European Union will work.

The foreign secretary acknowledges that a declaration of this kind would not suffice; he is looking for some further, concrete, means of making the same point. It could not be a mere PR exercise. The groundwork for a fresh proposal to tame the commission is therefore being carefully laid. Both Mr Hurd and the chancellor of the exchequer, Mr Norman Lamont, have complained that Brussels pries too much into the nooks and crannies of national life; in consequence the phrase "nooks and crannies" has become part of foreign office jargon. It is tagged onto the names of those regarded as the more interfering of the commissioners. One such is Mr Carlo Ripa Di Meana, who looks after the environment.

Mr Hurd likes to refer to his Mansion House speech of April 29. He said then – pre Denmark – that the idea of an EC with a strong single executive alongside a council of ministers working by majority voting "is now looking somewhat old-fashioned and I believe that the tide of reality has turned against it." In short, a modified Maastricht is to be sold as the original was – as a victory over the centralisers.

For this argument to prevail the alternatives must first be shown to be faulty. One option is a root-and-branch renegotiation, in which the treaty agreed last November is whittled down to a free trade area. Some Conservative backbenchers would prefer that. Mr Hurd regards such a route as unrealistic; if the treaty was reopened the centralisers would be on the warpath. The German chancellor said so when he met Mr Major at the weekend. The positions won by Britain on both subsidiarity and the distancing of defence and internal security from the ambit of the commission would have to be fought for again.

Another popular alternative is to accept that Maastricht cannot be ratified. We could then settle for a Europe without it. The European Single Act would be implemented. To this Mr Hurd protests that the present irritations, the delving into "nooks and crannies" by the commission, derive their legitimisation from the original Treaty of Rome and the Single Act.

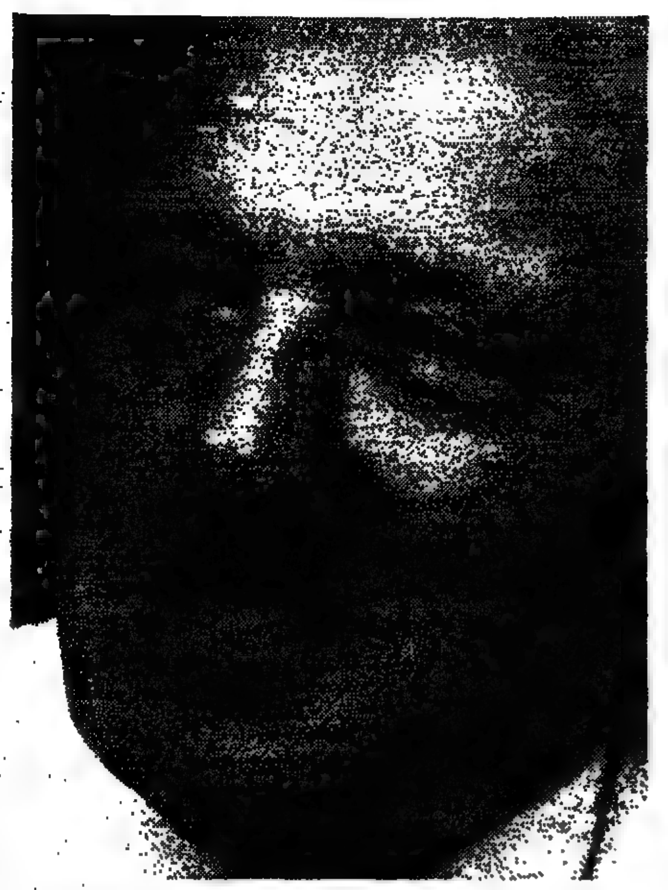
The government's overriding argument against the above two options, what it appears to regard as the clincher, is that if Maastricht was to be abandoned what would follow would be a long period of bad-tempered confusion, fraught with danger. Everything would be questioned – the enlargement of the community, the Gatt negotiations, the reform of the agricultural policy. The Germans and the French would become so frustrated that after a while they would start all over again. They would develop their European army. They would build an inner core of strongly-united European nations, taking in the Benelux countries and perhaps even in extremis the Italians. Once again Britain would be on the outside, knowing it must join in, afraid of the consequences if it did, fearful of what would happen if it did not.

That, then is the government's strategy – to deploy the above arguments, at home and abroad, over as long a period as events will allow. If the Danes are not back aboard by December, then early next year, or a few months later, will do. If parliament will not ratify the treaty now, the autumn will be OK. These arguments are not without substance. But even the British ministers who must develop them know very well that there is only the slimmest of chances that they will succeed.

PERSONAL VIEW

Why Cadbury leaves a bitter taste

Sir Owen Green, chairman of BTR, responds to the report of the committee on corporate governance



The subliminal message is of the need for total integrity

The Cadbury report on the financial aspects of corporate governance begins with the words: "The country's economy depends on the drive and efficiency of its companies." Certainly, all constructive proposals aimed at improving that drive and efficiency are to be welcomed. Sadly, the report that follows is long on accountability but short on drive and efficiency.

The proposals relate almost exclusively to the well-being of investors, current and potential, who are described as "owners of the company". The report makes several references to their responsibilities as owners, but my reading of the report suggests that it is more about their rights.

The concept of ownership, as distinct from membership, of a limited liability company is novel, untested and inappropriate. The expression "owner" does not appear in the Companies Act, and the normal obligations of a true owner are, except in respect of unpaid share capital, non-existent. Perhaps the description has been introduced to stir a perceived apathy illustrated by the voting habits of members of companies.

The report begins its section on corporate governance by defining it as "the system by which companies are run". It is not: running the company is the function of the executive. If taken literally, the report's recommendations would produce a hydra-headed organisation, alien to the aims of drive and efficiency.

For example, paragraph 4.3 of the report urges that "if the chairman is an executive director, a senior non-executive *director should be appointed to* take the lead," presumably against the chairman and his executive colleagues. This *unworthy proposal could easily* be avoided by requiring instead that the chairman should not also be the chief executive. In any company of size, the roles are distinct and sometimes incompatible.

This is not the only example of the report's belief in committee paramountcy. Elsewhere, for example, it suggests that the chairman of the company may no longer be responsible for answering questions at the annual general meeting about audit matters, even though these are important enough to require a page and a half of proposals. Yet another chairman/spokesman may need to answer to the AGM, this time on remuneration.

A more divisive aspect of paragraph 4.3 is the way it strikes at the heart of the unitary board. *It begins by* restating the legal position that all directors are equally responsible for the board's decisions. *But the committee immediately* reveals its view of the real purpose of non-executive directors. They are there to *monitor the performance* of the board (including themselves?) and that of the chief executive.

> **Of all the report's recommendations, the proposals on audit committees are the least meritorious**

As mentioned earlier, the paragraph recommends the *appointment of* a senior non-executive director "to take the lead, *in order to maintain the* balance between executive and non-executive influence". If the members of the committee *believe in a unitary board, as I* do, this is nonsense. If they seek this kind of segregation, they should have the courage *of their convictions* and advocate a two-tier board structure.

There is more double-speak by the committee in paragraph 4.7. It says: "The emphasis in this report on the control function of non-executive directors is a consequence of our remit and should not in any way detract from the primary and positive contribution which they are expected to make, as board members, to the leadership of the company."

This is followed by a series of proposals. None is about leadership; all stress the difference between the non-executive directors' status and contribution and those of directors with executive responsibilities. A house divided, the Bible tells us, cannot stand . . .

Of all the report's recommendations, I think the proposals on audit committees are *the least meritorious*, notwithstanding the practice in the US. *This committee*, says the report, should be entirely composed of non-executive directors. It should recommend *the appointment of the auditors*, review the company's financial statements, and discuss the audit with the auditors.

At best, this is sheltering the auditors. It offers a crutch, of no legal status, to the non-*audit committee directors*. At worst, it discourages other members of the board from seeking individual satisfaction in the discharge of one of the *board's primary collective* duties: to ensure on behalf of the shareholders a proper reflection of their governance of the enterprise expressed in published financial terms.

The arrogance of this imported proposal is communicated through the committee's own words. The report describes at length the limitations of auditor's responsibility. *Then, in stark contrast, it* blandly describes the unlimited responsibilities of the board for the financial statements. *The striking difference* between these two exposures surely requires the most direct contact between every member of the board and the auditors, rather than restricting this to a committee – no matter how composed.

The report refers to the competitive pressures, both on companies and auditors, which make it difficult for auditors to stand up to demanding boards. This seems to imply that the absolute requirement of an auditor – integrity – is regarded, apparently with understanding, as a victim of competitive pressure. If that is the case, it is surely the auditing profession which is in need of a committee review.

One other recommendation seems likely to add nothing but length to financial reports. The committee says that directors "should state in their report that the business is a going concern, with supporting assumptions or qualifications as necessary". Such qualifications will surely ensure that all reports contain the going concern statement, rendering its inclusion valueless.

The report's subliminal message is of the need for total integrity and a healthy objectivity in company affairs. This is strongly to be supported. But the need for a code in addition to existing rules and regulations is doubtful – as is its likely *effectiveness* in reducing the relatively few instances of misbehaviour.

I believe that existing laws and regulations are adequate for the purpose of corporate governance and that the statistically few failures stem from the *quality of the participants* rather than the quantity of the regulations.

As the report itself points *out, "raising standards of* corporate governance cannot be achieved by structures and rules alone . . . what counts is *the way they are put to use."* That goes for all laws – but we still have criminals.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. *Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution*

Time to decide how Europe might be better managed

From Mr Keith Richardson.

Sir, Clear thinking is now needed. Of course the 11 can press firmly ahead. Denmark can go its own way, if it wants, and pay the price. But we should look further.

The reality of European integration, taken one step further *by Maastricht, reflects our* practical needs, to solve at a European level problems that cannot be adequately dealt with by nation states. That includes most of our economic framework, hence the strong push from single market to single economic and monetary system.

But the perception of the ordinary voter, not only in Denmark, is quite different. The ordinary voter believes that unelected bureaucrats are forcing nonsense down his/her throat. The lesson from Denmark is that current procedures are not acceptable and the flow of information between voters and the centre is inadequate. Europe is wrestling with complex and important issues, and voters are entitled to a political system that deals with the issues and takes the decisions under democratic control. What is needed is to strengthen the political centre, not weaken it.

Even before the Danish vote political reinforcement was urgently needed, because of the drive to monetary union, enlargement and a more coherent foreign policy. Questions covering the relationships between Council, Commission, and European and national parliaments, as well as their internal workings, cannot be set aside to 1996, nor settled by secret negotiation. May I suggest we need much earlier a large and open conference designed to arouse and react to public opinion, focused on this very clear theme: "We are building a new Europe, it is our only sensible hope for the future, isn't it time we decided properly how we are going to manage it?"

Keith Richardson,
124 avenue Chant d'Oiseau,
1150 Brussels

From Mr John Cooney.

Sir, Rejecting European integration would be the worst economic disaster to befall Ireland since the 1847 famine. But I deplore the rush to ignore the Danish decision. Now that the Danes have inflicted a mortal legal blow to Maastricht, the other member *states* have an opportunity to go back to the drawing board and devise a loose bureaucratic system.

The EC leaders should heed concerns about the lack of democratic control over EC decision-making, especially in regard to the *éminence grise* role played by the Brussels Commission.

As a former Commission spokesman on agriculture, I am still amazed at the inefficiency and lack of accountability which I observed at first hand. Nor do I have much regard for the authoritarian approach of Mr Jacques Delors. I also have grave doubts about the Commission's capacity to take on new responsibilities under the Maastricht Treaty when it so badly manages its present role.

The choice between EC mammon and democrat supervision of the EC institutions is a real dilemma for many like myself in the Irish Maastricht referendum on June 18. The over-reliance by Prime Minister Albert Reynolds on the economic argument for an Irish yes vote, however valid in itself, does not do justice to the other factors which need to be taken into account. One of these may be a Perot factor.

John Cooney,
34 Eaton Square,
Terenure, Dublin

From Mr Roger Billis.

Sir, Thank God for Danish women.

Roger Billis,
5 Maxwell Road,
London SW6 2HT

From A Magnus.

Sir, The furore raised in the media about the negative Danish vote on the Maastricht Treaty is difficult to understand. With regard to the most important part of the treaty, it could hardly have been anticipated, even if ratification by all member states were assured, that convergence of economic performance would have permitted their inclusion in the initial EMU which is likely to be formed by 1997.

It is to be remembered that four convergence criteria have to be satisfied (Article 109 of the Treaty).

On this basis, the likelihood of Greece, Italy and Portugal qualifying seems remote, and given the Belgian public debt of well over 100 per cent of GDP, its prospects as a partner are not exactly brilliant, despite the Belgian government's urging that the Maastricht timetable be respected.

If, therefore, Denmark stands on the sidelines for the time being as far as the Maastricht economic proposals are concerned, it will not be alone and the "variable geometry" factor will be present whether that particular country is in or out.

A Magnus,
Avenue Boulogne
Billancourt 70,
1330 Rixensart, Belgium

From Mr Ernest Spratt.

Sir, With companies removing management layers, and political devolution rife worldwide, *why should the EC* add political and bureaucratic layers? A loose alliance of competing nation states is best for Europe, where *best-of-breed* methods and ideas would quickly assert. Our competitors would run rings around a monolithic Maastricht EC, *just* as we did to Russia.

Good for the Danes.

Ernest Spratt,
6 Salterns Close,
Hayling Island, Hants

To lend more than 100 per cent of property value is dangerous

From Ms Carol Grant.

Sir, Your leader, "The next step in housing" (June 2), seemed to suggest that in order to tackle the "negative equity" problem, mortgage lenders should be allowed to advance more than 100 per cent of a property's value to stimulate a recovery in the housing market. This is dangerous talk. Surely you are not suggesting that we should rely on building societies to lend their way out of the housing slump?

Mortgage lenders are already suffering the effects of lending a high proportion – often 95 or 100 per cent – of the valuation on a prospective home. Indeed, it was this practice that led to the negative equity problem in the first place.

If anything, mortgage lenders will now be forced into more prudent lending patterns because of intense financial pressure. Cuts in interest rates, and concessionary deals to allow those in mortgage arrears to pay lower rates, are putting pressure on the savings end of the operation.

If the outflow of savings from building societies continues, and funds on the wholesale money markets prove more expensive as lenders see their credit ratings downgraded as a result of provision for bad debt, we will see a credit crunch rather than the expansion of lending you rashly suggest.

Also on June 2 ("Lenders will defend record"), in your coverage of the meeting between the lenders and the government on mortgage rescue schemes, you pointed out that 275,000 households are currently in long term mortgage arrears. You then suggested that, since repossessions had been contained at about 75,000 last year, 200,000 of these people had therefore been "saved" from repossession.

Nothing could be further from the truth. Virtually no one has been saved through the complex rescue schemes devised with housing associations. Lenders are containing the problem by accepting lower repayments and by sitting on a lot of bad debt. When the upturn finally comes, these people will be the most vulnerable to repossession.

Carol Grant,
editor,
Roof,
88 Old Bond Street,
London EC1V 9HU

OBSERVER

Counter attack

■ Juan Antonio Samaranch, the most powerful man in international sport, should be enjoying his twilight years as president of the International Olympic Committee. But the run-up to the summer Olympics in his home town of Barcelona has been marred by unpleasant criticism.

The publication of a critical book, *Lords of the Rings*, and a couple of Granada TV documentaries, have thrown into question Samaranch's stewardship of the Olympic ideal. So yesterday, Samaranch came to London to face his Anglo-Saxon critics who want to unseat him. The occasion was the launch of David Miller's official biography: *Olympic Revolution*, which had been rushed out to counter-balance the charges made by *Lords of the Rings*.

Samaranch did not come alone. He was flanked on the stage by three IOC members, the IOC director-general and Sir Arthur Gold, chairman of the British Athletics Association.

As an accomplished ex-ambassador, the president knows how to be diplomatic in the face of hostile questioning, especially *on the* subject of his future. A lot of people have been putting pressure on him both to stay and to go, but, teasingly, he says he will wait until after Barcelona to make up his *mind*. The ring-master remains in complete control of the Olympic circus.

Better PR

■ Move over Body Shop, make way for Betterware. The door-to-door seller of household goods is the latest household name to climb onto the corporate environmental bandwagon.

If you want a biodegradable mildew cleaner or a non-rain forest brush handle, Betterware knows where to find them. It has also committed itself to plant a tree for every one cut down to make the paper for its 13m catalogues. That works out at 8,000 a year.

Betterware proudly boasts that its trees will grow in "a managed forest" in Sweden, where its paper comes from. "It's all part of the deal for paper purchasing," says chief executive Andrew Cohen. True. But it was the Swedes who thought up the idea not Betterware.

Demob happy?

■ Those close to Robert Louis-Dreyfus, Saatchi and Saatchi's 45-year-old chief executive, have begun to notice an extra spring in his step, and an even-readier tendency to break into broad smiles. What on earth can it be?

True, the group is no longer on the brink of collapse following its recapitalisation. But it is hardly yet out of the doldrums. Nor can it simply be that his wife is expecting their first child. Perhaps Wednesday's annual general meeting will reveal all.

Black's turn

■ A two way trade in senior managers seems to be developing between newspaper tycoons Conrad Black and Rupert Murdoch. Black, who was most upset when Murdoch pinched Andrew Knight from the Daily Telegraph, has now got his own back by poaching *one* of Murdoch's rising stars to help lead his invasion of Murdoch's home market.

Australian Michael Hoy, who won his spurs in the Murdoch empire as a tough managing editor of The Times, is joining the Conrad Black consortium which recently took over Fairfax, owners of the Sydney Morning Herald, the (Melbourne) Age and the Australian *Financial Review*. The 42-year-old Hoy, has been lured away from Murdoch's South China Morning Post after just seven months as general manager, to be editorial director and deputy chief-executive of Fairfax.

Meanwhile, it sounds as if Black is close to finding a chief executive for the rudderless Fairfax. The word is that Phil Scanlan, chairman of the Sydney Institute, a free market think tank, is the frontrunner. A *right*-wing radical, Scanlan's views are likely to appeal to Black, if not to the journalists who dominate the Fairfax publications.

"How about a walk in the woods?"

Inside job

■ If Rupert Murdoch's men really are intent on bringing down Britain's monarch they have certainly done their homework. The Times' timely wall chart celebrating the 350th anniversary of Britain's civil war shows an unusually sharp attention to detail.

It puts the number of people killed at 84,738, and another 117,534 were taken prisoner. There is also a big puff for John Pym, King Charles' number one enemy in Parliament, whom the Times describes as a "man of genius".

Could this be any relation to John Pym, text editor of yesterday's wall chart?

Designer Labels

■ Not all public relations material is utterly useless. London design company Davies Baron has come up with a clever means of self-promotion. It has sent Observer its lavishly produced slim volume of 12 pithy quotes on Europe, in this year of European single-marketedness.

The playwright Tennessee Williams is there: "That Europe's nothing on earth but a great big auction, that's all it is" – along with the equally robust D.H.Lawrence: "One realises with horror, that the race of men is almost extinct in Europe. Only Christ-like heroes and women-worshipping Don Juans and rabid equality mongrels."

Yet it must surely be scraping the barrel to quote Senator Schall "of Minnesota", who apparently said in 1953: "To hell with Europe". Davies Baron could easily have got a similar view from any number of more memorable, contemporary government figures.

Sure?

■ What is the difference between an optimist and a pessimist?

An optimist doesn't have all the facts.

FINANCIAL TIMES
Tuesday June 9 1992

Delegates strive to agree targets for overseas development

Rio talks face clash over aid

By Christina Lamb in Rio de Janeiro

EFFORTS to resolve the impasse over the financing of a global environmental action plan were stepped up yesterday as the Earth Summit moved into its final phase.

A new north-south clash seemed inevitable over the level and timing of financial commitments to the programme.

Just two days before the heads of state arrive, European Community countries and the Group of 77 developing countries yesterday failed to agree in initial discussions on a new Brazilian compromise proposal on financing, the most crucial conference issue. Further talks were planned last night.

The G77 repeated the demand for industrialised nations to commit themselves to a target for overseas development aid of 0.7 per cent of GNP by the year 2000. The level and date are strongly rejected by many of the richer, industrialised nations.

The US is among the main opponents of a 0.7 per cent target. Its current overseas development aid (ODA) level is 0.13 per cent compared with a European average of 0.5 per cent. A US official described the G77 demand as "completely unrealistic – it would mean an enormous increase in aid".

The US delegation is concentrating on securing agreement on finance, apparently in an attempt to divert attention from its isolation over its refusal to sign the treaty on species protection.

The delegation also hopes to improve the atmosphere at the summit before President George Bush arrives on Thursday. Mr William Reilly, head of the US Environmental Protection Agency, said he was optimistic the issue of finance would be resolved quickly, adding: "We're very receptive to the Brazilians' efforts."

The new seven-page proposal, drawn up by Mr Rubens Ricupero, Brazilian ambassador to Washington, calls for countries already committed to achieving the 0.7 per cent level to do so "as early as possible" while other developed nations should agree to "make their best efforts to increase their levels of ODA". Mr Ricupero said yesterday: "I hope this wording will resolve the problem."

But the G77 wants firmer commitments. Mr Kamal Nath, the Indian environment minister, said: "The document merely affirms the 0.7 per cent target but affirmation is not enough. We need a time frame. Without that the conference is just laudable rhetoric with no means to finance or implement agreements."

Baroness Chalker, head of Britain's Overseas Development Administration, said yesterday: "We refuse to be tied down to either figures or timetables." However, she pledged to raise Britain's development aid from the current 0.3 per cent of GNP.

Earth summit report, Page 6

Judge drops 46 charges against ex-Polly Peck chief

By Robert Rice, Legal Correspondent

A UK HIGH COURT judge yesterday dismissed 46 charges of theft, involving £119.5m ($217m) against Mr Asil Nadir, former chairman of Polly Peck International, the collapsed fruit and electronics group.

Mr Nadir still faces a further 20 charges of theft and false accounting, involving some £30m.

After the hearing his solicitor, Mr Peter Lakin said Mr Nadir was delighted by the outcome. "This is one of the best Monday mornings we have had for some time," Mr Lakin said.

Last night, the Serious Fraud Office, which brought the charges, said it was considering its position. Whether the charges were reinstated at a later date would depend on an appeal in another case on a similar point, an SFO official said. That case is due to be heard by the Law Lords next month.

Yesterday's decision followed an application by Mr Nadir last month to have charges under the Theft Act 1968 dismissed.

The charges alleged theft by transfer of funds from PPI's bank accounts to the account of a wholly owned subsidiary, Unipac, held at the National Westminster Bank in Jersey, or to the Midland International account of the Industrial Bank of Kibris, a bank in Northern Cyprus owned by Mr Nadir.

Mr Anthony Scrivener QC for Mr Nadir said there was no evidence of any "appropriation" of the funds as required under the terms of the Theft Act.

Mr Justice Tucker, the judge assigned to Mr Nadir's case, said there was no doubt Mr Nadir was authorised by PPI to make transfers.

However, the question was whether this authorisation was subject to the proviso that transfers had to be for the legitimate business purposes of PPI.

The prosecution alleged Mr Nadir had no authority to transfer assets other than for legitimate business purposes and that the transfers to Unipac and IBK were fraudulent and dishonest.

The judge said the prosecution's argument entailed the proposition that if Mr Nadir had changed his mind after transferring the assets and had applied them for the company's proper purposes he would have been guilty of theft still – his initial dishonest intention having been proved.

But that could not be right, the judge said. The transfers were merely preparatory acts.

"I take the view that no appropriation (or more accurately, misappropriation) took place when the defendant transferred the sums of money from the PPI bank account to the accounts of Unipac and IBK.

"But there is clear prima facie evidence that the withdrawal of assets from the Unipac and IBK accounts immediately afterwards was unauthorised and that there was an appropriation at that stage," he said.

Mr Nadir's trial is not expected to begin before March next year.

Members of Japan's parliament catch up on sleep on the fourth day of filibustering to delay a bill allowing Japanese troops to join UN peacekeeping missions abroad. Report, Page 4

Czech and Slovak leaders discuss division of powers

By Our Foreign Staff

THE future of Czechoslovakia was last night in the hands of the country's two political king-pins, Prime Minister-designate Vaclav Klaus and Slovak champion Vladimir Meciar, who met for crucial talks which could decide whether their country splits apart.

Mr Klaus, whose rightwing Civic Democratic Party won most votes in the Czech republic in last weekend's general election, insists on retaining a strong Czechoslovak federation and pushing through radical economic reforms. Mr Meciar, the victor in Slovakia, wants to loosen ties with Prague and slow down the reforms.

The two met half-way between their respective bases of Prague and the Slovak capital Bratislava. Their talks continue today.

As leaders of the two strongest parties to emerge from the elections, Mr Klaus and Mr Meciar must establish a working relationship if Czechoslovakia's two deeply-divided parts are to remain together.

The talks between Mr Klaus and Mr Meciar will centre on the form of the future federal government and the division of power between Czechs and Slovaks within it. Mr Klaus has said he will reduce the federal government to a few key ministries, such as finance, economics, foreign affairs and defence, but this is likely to lead to clashes with the Slovaks, who want their republic freed from federal control. The powers of the federal finance ministry will be the subject of fierce discussion. Mr Klaus has said that economic policy must remain unified. But Slovak nationalists want two central banks and say they intend to take control of the privatisation programme in their republic.

After his election triumph, Mr Meciar said he would oppose President Vaclav Havel when members of parliament vote in a presidential election next month. He said Mr Havel's chances of re-election were now minimal.

President Havel, whose immense personal authority makes him the main unifying force in Czechoslovakia, will pull out of the election if the country heads for a split, his spokesman said.

If Mr Meciar does turn his back on Prague, any declaration of sovereignty or other moves towards independence will be made in the Slovak National Council (regional assembly) where his Movement for a Democratic Slovakia fell only just short of an outright majority.

Mr Meciar has said he favours two strong republics – the Czech lands and Slovakia – which would conclude a treaty and then agree to concede some powers to a central federal government.

This attitude is unacceptable to many Czech politicians. They claim it would effectively break up Czechoslovakia, born 74 years ago from the ashes of the Austro-Hungarian Empire.

Economic stakes, Page 2
Editorial comment, Page 14

UK probes Maxwell group

Continued from Page 1

documents and examine under oath anyone who has relevant information.

They can also look at anyone who has had a financial interest in the success or failure of a company or was able materially to influence its policy.

Sir Michael Richardson, chairman of Smith New Court, declined to comment last night. Samuel Montagu said it would co-operate fully.

The inquiry comes at a particularly difficult moment for MGN, which is in the final stages of negotiating a £250m two-year finance facility.

Full accounts were expected to be published at the end of this month in advance of a re-listing of MGN shares suspended since late last year. It is unclear whether the re-listing will now be delayed although specialist advisers to the company said last night a delay was far from inevitable.

At the beginning of this year, MGN directors, deeply shocked by almost daily revelations about the state of the company, commissioned consultants Ernst & Young to carry out a full study.

Ernst & Young looked at every aspect of the company including the flotation and the condition of the various pension funds.

MGN directors were yesterday given a preliminary briefing on the report's contents. The company

last night welcomed the decision to hold an inquiry and would co-operate fully with the DTI inspectors.

Bosnian attack

Continued from Page 1

If it goes ahead, the UN plan to secure Sarajevo airport, which was agreed in principle at the weekend between the Bosnian government, Serb forces, and UN officials, will allow UN troops to impose a 10km ring around the airport. They will also secure two 20km-long corridors from the ring into parts of Sarajevo.

The municipal hospital was shelled again and over one hundred houses and the tobacco and milk plants were destroyed.

Serb commanders in Bosnia met General Mladic and Mr Karadzic last Saturday in the nearby town of Pale, the headquarters of the Serb irregulars, to co-ordinate the offensive on Sarajevo.

World Weather

		°C	°F
Ajaccio	T	14	57
Algiers	S	26	79
Amsterdam	F	20	68
Athens	F	35	[illegible]
Bahrain	S	37	99
Bangkok	C	36	97
Barcelona	C	19	66
Beijing		–	–
Beirut	C	25	77
Belfast	S	16	[illegible]
Belgrade	F	21	70
Berlin	F	23	73
Biarritz	S	18	64
Bombay	F	32	90
Bordeaux	C	16	64
Boulogne	F	20	68
Brussels	R	18	64
Budapest	F	17	63
Buenos Aires	C	15	59
Cairo	F	32	90
Cape Town	S	23	73
Caracas	F	31	88
Casablanca †	F	21	70
Chicago †	F	14	57
Cologne	C	19	66
Copenhagen	S	[illegible]	75
Corfu	F	26	79
Dallas †	F	19	66
Dublin	C	17	63
Dubrovnik		–	–
Edinburgh	C	12	54
Faro	F	20	68
Florence	F	20	68
Frankfurt	R	20	68
Geneva	R	14	57
Gibraltar	S	22	72
Glasgow	S	18	64
Helsinki	S	20	68
Hong Kong	R	24	75
Innsbruck	C	18	64
Inverness	F	19	66
Islamabad	F	39	102
Istanbul	S	25	77
Jakarta	R	32	90
Johannesburg	S	19	66
Lisbon	C	19	66
London	C	21	[illegible]
Los Angeles †	S	16	61
Luxembourg	F	19	66
Madeira	C	20	68
Madrid	S	21	70
Majorca	S	25	77
Malaga	S	[illegible]	77
Malta	S	24	75
Manila	C	36	97
Melbourne	F	11	52
Mexico City	C	22	[illegible]
Miami †	S	27	81
Milan	F	15	59
Montreal †	C	20	68
Moscow	F	25	77
Munich	C	17	63
Nairobi	F	23	73
Naples	F	23	[illegible]
Nassau	C	32	90
New Delhi	S	38	100
New York †	F	24	75
Nice	F	19	66
Nicosia	S	26	79
Oporto	F	18	64
Oslo	T	26	[illegible]
Paris	R	21	70
Prague	T	16	61
Reykjavik	R	11	[illegible]
Rhodes	S	27	81
Rio de Janeiro	C	36	[illegible]
Rome	F	[illegible]	70
Salzburg	C	16	61
S'Francisco †	S	12	54
Seoul	S	21	70
Singapore		–	–
Stockholm	S	21	70
Strasbourg	F	17	63
Sydney	S	14	57
Taipei	R	25	77
Tangier	F	20	68
Tel Aviv	F	27	81
Tenerife	S	22	72
Tokyo		–	–
Toronto †	S	15	59
Tunis	S	26	79
Valencia	S	26	79
Venice	F	20	68
Vienna	R	18	64
Warsaw	F	24	75
Washington †	S	26	79
Zurich	C	15	59

Temperatures at midday yesterday
† noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Maxwell in context

The terms of reference of the Mirror Group investigation make it clear that yet another full-blown City scandal is on the horizon. The simple approach would have been to confine the enquiry to the exploits of Mr Maxwell himself. By choosing rather to concentrate on the MGN flotation, the inspectors will also bring on the full cast of bankers, brokers, lawyers and accountants who made it all possible.

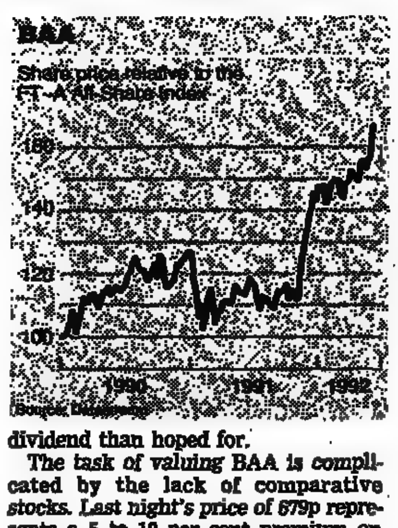
While the specific grounds for the investigation are not yet clear, three areas suggest themselves. First, the prospectus itself. Did it contain sufficient warning of the threat to the pension fund? It did make clear – if only in the small print – that the fund was controlled and largely managed by Maxwell companies. It also stated that the fund had not been audited for over a year, which presumably covers the advisers against any looting which may have gone on close to the flotation. A further crucial question is whether the balance sheet and profit and loss account presented a true and fair view. Given Mr Maxwell's record, that is perhaps a matter best left to the inspectors.

The other two areas concern share price manipulation, not only of Maxwell Communication ahead of the MGN float but also possibly of MGN itself immediately after it. This is a particularly murky area, in which a number of City reputations are at risk. However it all turns out, there is a piquancy in the means of investigation. Up to the last, Mr Maxwell bitterly attacked the system of DTI reporting which led to him being famously damned in 1971. It was, he said, a form of business murder which he was unique in having survived. Yesterday's announcement means the system can now revisit a tireless opponent without fear of contradiction.

BAA

BAA has clearly set out to prove that there are other ways of investing in the air transport business than buying British Airways. The airports operator has outperformed BA by 75 per cent since flotation and yesterday produced full year figures which will do little to dim the enthusiasm of its fans. A 22 per cent fall in pre-tax profits, after all, had long been expected in the wake of the Gulf War and the recession. What stood out in the results, though, was the comfortable absorption of unexpectedly high property provisions, the depth of the cost cutting and a marginally more generous

FT-SE Index: 2645.8 (-22.7)



dividend than hoped for.

The task of valuing BAA is complicated by the lack of comparative stocks. Last night's price of 679p represents a 5 to 10 per cent premium on the market's forward earnings multiple. Productivity savings and traffic growth should offset the impact of a tougher regulatory regime this year and next. Whether the company can do better than the market depends on whether more optimistic forecasts for volume growth are justified. Thereafter, however, pricing pressure on airport charges starts to ease and retailing revenue will be building up.

BAA, moreover, is now in the enviable position of having very little regulatory risk. The next review is almost 5 years away. Were the CAA to contemplate getting tough, the threat used so successfully this time of abandoning Heathrow's Terminal 5 might still be credible. But the more profitable BAA becomes, the more seriously a future government would have to consider bringing competition into the airports business. Hiving off Gatwick would not work; but separating the ownership of terminals at Heathrow might do the trick.

UK pensions

Besides a £2.5m rescue scheme for Maxwell pensioners, the government yesterday agreed to implement legislation ensuring that any deficiency in a wound-up pension fund becomes a debt on the employer company. Industry experts had previously expected Ministers to delay this provision of the 1990 Social Security Act on the grounds that the issue of equal pension benefits for men and women remains unresolved, and that calculating a final deficiency therefore is impossible at this stage. The equal pensions point was specifically addressed in the Maastricht Treaty, but given recent events may now not be resolved in the European Court until next year.

Mr Lilley's gesture is not to be sniffed at. But there is arguably no great comfort anyway for pensioners in ranking alongside ordinary trade creditors, who seldom get much in a liquidation. The alternative would have been preferential status; and that, no doubt, would have been too much for the banks.

Capital adequacy

The vexed issue of monetary union aside, today's meeting of European Community Finance Ministers will be even more fraught than usual. For the UK in particular, the debate on capital adequacy standards for securities houses represents a challenge of the sort relished by a certain baroness when prime minister. If a German-led proposal is adopted, securities houses will be subjected to the same rigorous capital standards as banks, despite the gulf separating their activities.

The result for much of London's broking and underwriting houses would be nasty. Many brokers could no longer afford to do business. The Euromarket would face constraints on underwriting severe enough to drive public sector borrowers away. The precise effect on the UK's invisible earnings is impossible to calculate, but the direction is all too clear. The question is whether the UK government should seek merely to water down the proposals or to sidetrack them entirely.

The latter would be preferable. There are plenty of existing rules designed to protect investors against brokers going bust. Moreover, the Basle committee on banking supervision and the International Organisation of Securities Commissions have been working jointly in this very area for months. Arguably they are better placed than the Commission to produce guidelines which are sympathetic to different securities markets' practices, if only because they are openly consulting the various participants.

In practice, it looks as if the UK government will endorse a compromise which pays lip service to national differences but leaves the principle of tougher capital adequacy standards intact. That looks an unnecessarily risky trade.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday June 9 1992

INSIDE

BAA shares rise in spite of profit dip

Sluggish air travel growth coupled with large property provisions and restructuring costs sent pre-tax profits at BAA, the UK airport operator, *tumbling by 22 per cent to £192m* ($349.5m) for the financial year ended March. But the performance was generally well received by the City of London. Page 18

TI buys 10% of Dowty

TI Group, the specialist engineer, yesterday paid 189p a share for 10 per cent of Dowty, the UK aerospace and information technology group that it is pursuing via a *hostile* £525.7m ($956m) bid. The shares purchase, *made only four days before the offer closes*, increases the chances that Dowty will lose its independence. Page 23

Unimpressed but influential

When leading figures in French finance were asked who was the most influential figure in their field, Mr Jean Peyrelevade, chairman of Union des Assurances de Paris, the biggest French insurer, came at the top of the list. Mr Peyrelevade (left) remains unimpressed. "It just isn't important," he said. Mr Peyrelevade is making the most of his political connections as UAP prepares for partial privatisation. Page 18

Confusion over CAP

As European grain growers gather this week in Warwickshire for an event called "Cereals 92", one topic will dominate their discussions: the confused implications of the package to reform the European Community's Common Agricultural Policy. For, although the May 21 agreement *by EC agriculture ministers may be old* news, the details of what exactly has been agreed are still far from clear. Page 26

Lean and mean at lunch

Lunch at the oldest investment bank in the US *is a modest affair. But the lean lunches* contrast with the bank's success. Of the $24.3bn *raised* in initial public offerings last year, Alex Brown & Sons accounted for $5.9bn in 38 separate issues, making it, by one index, the leading IPO house in the nation. Page 21

Greek giant awakes

National Bank, the sleeping giant of Greek banking, is being prodded awake by a new management team. The state-owned bank has a network of 550 branches and is well placed to benefit from the coming deregulation. But its proportion of non-performing loans is high: it is *heavily overstaffed; and expertise in a number* of areas is in short supply. Stimulus for change eventually came from the government itself. Page 21

Equities fall after Danish vote

European equity markets fell last week, due to the Danish "No" vote in a referendum on the EC Maastricht treaty, the French decision to hold their own referendum after the summer holidays and the uncertainty this cast on the process of European Monetary Union. Page 38

Market Statistics

Companies in this issue

Chief price changes yesterday

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Asarco	31⅜	+	½	Kyotaru	1320	+	80
Gen Dynamics	71	+	5⅝	Nikkatsu	292	+	19
Gulf States Ut	15¾	+	1¼	S'tomo Spl Mtls	1120	+	80
Falls				**Falls**			
Abbott Labs	27¾	−	4⅛	Crown	410	−	40
Baxter Intl	36½	−	¾	Fukuda	1050	−	80
Critical Care	42⅞	−	2¼	Hitachi Sales	535	−	40

Paris and Frankfurt closed.

LONDON (Pence)							
Rises				HSBC	303	−	34
Argon Comms	170	+	14	Henderson Admin	745	−	15
BAA	579	+	15	Hepworth	388	−	13
Carr's Milling	88	+	5	Inchcape	483	−	14
Caird	321½	+	8	Lucas Inds	130	−	7
Crosby Bros	66	+	4	Midland Bank	420	−	26
Forward Group	75	+	4	Regalian Props	20	−	5
GWR	325	+	10	Sears	113	−	5
TV-am	72	+	6	Storehouse	144	−	7
Falls				TSB	171	−	14
BM	378	−	12	Tomkins	477	−	14
BPB Inds	180	−	12	Transport Dev	280	−	12
Boots	447	−	12	WPP	55	−	3
Ospl	105	−	6				

US utilities to merge in $2.3bn deal

By Alan Friedman in New York

ENTERGY Corporation, a large Louisiana-based electric utility, is making a $2.3bn cash-and-stock *offer to acquire Gulf States Utilities* (GSU), a Texas-based utility, in an agreed takeover that could help rationalise the electricity market in the region.

The terms of the deal – which would make the combined group one of the top five utilities in the US – call for Entergy to offer up to $250m in cash and the remaining $2.05bn in stock.

The takeover values GSU at $20 per share, representing a 38 per cent premium over its closing price last Friday.

Yesterday the GSU share price *rose by $1¼, or 8.6 per cent, to* close at $15¾. Entergy's share price declined by $¼ to $27.

Entergy is a large New Orleans-based utility serving more than 1.7m customers in Arkansas, Louisiana and Mississippi. The company, which employs 12,500 people, made a $482m net profit last year on $4bn of revenues. GSU of Beaumont, Texas, is a smaller utility with 579,000 customers in south-east Texas and southern Louisiana. Its 1991 net profit was $102m on revenues of $1.7bn. GSU has 4,500 employees.

The deal may be seen as a resolution of GSU's long-standing woes. The company invested about $3bn in the 1980s in a 1,000MW nuclear power plant in Louisiana, but said yesterday it was only earning a return on about half the investment because of a lack of demand. The nuclear plant has been a drain on GSU resources because it came on stream as the oil industry entered recession.

Analysts said yesterday the merger seemed promising. But they warned approval could be *lengthy. Entergy said yesterday* it would raise the price of the transaction if it had not been completed by June 1994.

Mr Edwin Lupberger, chairman of Entergy, said the deal would create a more competitive and efficient company and would lead to fuel-cost savings, operational advantages and cost efficiencies from creating a larger four-state network with electrical and administrative synergies.

Mr Edward Tirello, an analyst at Smith Barney Harris Upham, said GSU had faced threats from *competition* in the past. "By going with Entergy, a larger company with a more diverse fuel base, they will be able to lower prices to keep their industrial customers, such as the petrochemical and oil refining business," he said.

Salomon Brothers is advising Entergy. GSU's adviser is Goldman Sachs.

RTZ to sell its stake in Canadian mining unit

By Angus Foster in London and Bernard Simon in Toronto

RTZ, the world's biggest mining group, is selling its 51.5 per cent stake in Rio Algom, a large Canadian mining and metals distribution subsidiary.

RTZ will earn £118m (US$214m) from the sale, after expenses and Canadian capital gains tax. The book value of the stake is £148m, leading to an extraordinary loss of £30m. Rio Algom has gradually *declined in its importance to the* group. The disposal allows RTZ to concentrate on its remaining North American businesses, which were mainly acquired in 1989 from BP.

An RTZ spokesman said the sale would prevent possible conflicts of interest between Rio Algom and RTZ's other North American businesses such as Kennecott, its most profitable subsidiary.

Analysts welcomed the sale, saying Rio Algom had failed to match the group's earnings *growth in recent years.* "Its cash-cow uranium earnings have fallen rapidly and will cease altogether in 1996," according to Mr Alan Richards at BZW.

The 22.51m shares are being placed with mainly Canadian institutions and underwritten by Gordon Capital Corp, RBC Dominion Securities and Wood Gundy. The placement price of C$16.10 compared with Friday's closing price of C$16.25. Payment is due in three instalments over the next two years.

RTZ approached at least two *companies in recent months* about selling the stake as a block. But no purchaser would match the stock market value.

The apparently hasty disposal of the stake, which has fallen in value by C$129m (US$107m) in the past year, prompted speculation RTZ is preparing another move in Canada. "Perhaps Kennecott will do something soon which could conflict with Rio Algom," said Mr Euan Worthington at S.G. Warburg.

The sale is unlikely to alter RTZ's earnings for this year. In *1991 Rio Algom contributed only* £11m of RTZ's net attributable profits of £308m. But RTZ's cash-flow will be about £128m stronger, representing the sale price and about £10m in notional deferred interest on the instalment payments.

A Toronto-based analyst said Rio Algom had been limited by RTZ's investment in Kennecott. The sale gives the Canadian company "a better chance of operating independently", he said.

Rio Algom is also expected to try again to sell its metals distri*bution business, with a price* close to book value of C$200m.

General Dynamics plans share buy-back

By Martin Dickson in New York

GENERAL DYNAMICS, the US defence contractor which has been promising to return its rapidly mounting excess cash reserves to shareholders, yesterday announced plans to spend up to $975m to buy back 30 per cent of its stock.

The company said it would launch a so-called Dutch auction tender offer this week for up to 13m shares. As part of the package, the Crown and Goodman families, which own 22 per cent of General Dynamics' stock, intend to lower their stake to around 15 per cent.

The share repurchase is the latest stage in a "plan of contraction" by Mr William Anders, the former air force pilot and astronaut who took over as chairman of General Dynamics at the beginning of last year.

The company is being slimmed down to four core defence businesses and is selling off periph*eral activities, including several* commercial businesses and its missiles division. It is sitting on $1.2bn of cash and marketable securities.

Mr Anders said yesterday the company's cash resources "far exceed those needed to pursue opportunities within our core businesses and to keep them strong and viable." It believed the best way to invest a significant proportion of the funds was in the repurchase of the company's stock.

The Dutch auction involves shareholders specifying a price not greater than $75 a share and not less than $65⅝ (last Friday's close) at which they would be willing to sell their shares.

The company would then decide the lowest price in that range which would *allow it to* buy 13m shares, and then pay that price for all shares tendered *at or below the purchase price.*

General Dynamics' shares, which have risen from $25¼ at the start of last year, rose sharply on the news to close at $71, up $5⅝, on the New York Stock Exchange.

The company's management said it would not be in General Dynamics' interests for the Crown and Goodman stockholders to increase their stake in the business and the families' three representatives on the board shared this view.

The Crown and Goodman families would have preferred to retain their stake, but for tax reasons would tender shares likely to cut their holding to *around 15 per cent.*

Hanson's US arm goes back to basics

Roland Rudd explains why the group wants to convince investors that it does more than buy and sell companies

IT has been a painful and frustrating period for Mr David Clarke and Mr John Raos, respectively chief executive and *chief operating officer* of Hanson Industries, the US arm of Hanson.

They have had to watch from the sidelines as Hanson engaged in a phoney war with Imperial Chemical Industries, and its share price significantly underperformed the FT-SE 100 index. And they have had to live with bad publicity after Hanson's flotation of a majority stake in Smith Corona, the typewriter company, was followed by a collapse in its share price and a bliz*zard of shareholder lawsuits.*

Now, the two plan to regain centre stage, as the news that Hanson is again considering floating majority stakes in its US non-core businesses indicates.

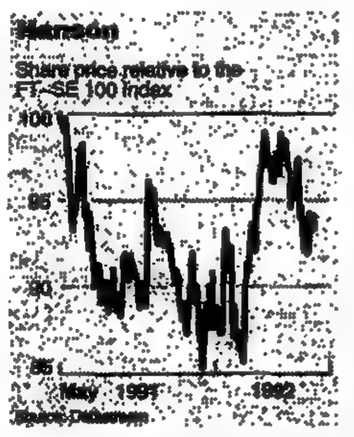
Behind that process is some simple arithmetic. If investors priced Hanson's shares by looking at the US market's average prospective price/earnings ratio of 17, rather than the UK's 13, the stock would look a lot healthier. The mooted US flotations are a way of tapping those higher American valuations.

At one point, serious thought was given to floating or spinning off the entire US business, which contributed 60 per cent of Hanson's £1.3bn ($2.36bn) pre-tax profits for the year to September 30.

"In the end," says Mr Clarke, "it was never proven to be advantageous because unbundling the US businesses would have increased the tax bill, which in turn would be dilutive to earnings."

Instead, he decided to refocus *Hanson's blurred strategy.* He hopes to persuade US investors that Hanson is no longer just a strategic buyer and seller of companies but a manager of seven core businesses.

Significantly, five of them are based in the US: Peabody Coal; *Cavenham Forest; the aggregates* company Beazer USA; Grove Industries, the largest hydraulic crane manufacturer in the world; and SCM Chemical. Two are UK-based: *Imperial Tobacco; and the* Hanson building products operations, which now include ARC and London Brick.



Source: Datastream

Hanson plans to expand its core businesses through "bolt-on" acquisitions.

Mr Mark Alexander, who leads Hanson's merger and acquisition team in the US, says: "We are focusing primarily on our core businesses, which is why our bolt-on activity has dramatically increased."

Hanson still retains its opportunistic streak. For example, it is looking hard at Canary Wharf, the London office development owned by Canada's Olympia & York, now in insolvency proceedings. But if Hanson acquires a bargain unrelated to any of the group's existing big businesses, the Clarke strategy calls for it to become a new core business – in Canary Wharf's case, by merging it with the group's extensive property portfolio in the US.

Outside the core is a raft of smaller companies, which Hanson refers to as portfolio businesses. Under the Clarke plan, those that cannot be expanded will be sold off, raising perhaps $1bn.

The way became clear for Hanson to float off some of these smaller companies on US stock *markets seven months ago, when* Smith Corona settled the shareholders' lawsuit against it over its flotation in 1989. The total settlement was $34m, of which Smith Corona contributed $5m.

It is easy to see why shareholders were angry. When Hanson sold 52 per cent of Smith Corona to the US public in July 1989, it obtained $21 a share. Not long after the sale, with Japanese competition increasing and the dividend cut, Smith Corona's share price collapsed to less than $5. (It was yesterday trading at about $9.)

Lord White, chairman of Hanson Industries, believes there is a simple lesson to be learnt from the Smith Corona experience. "The flotation price was pitched too high," he says, "while the business was severely affected by *Japanese companies dumping on* us."

The market will bear those words in mind as it contemplates the possible candidates for flotation.

Hanson Industries has arranged them into four groups:

- Housebuilding, including Beazer's US housebuilding interests and MW (which produces interior moulding for windows);
- Consumer products, including Tommy Armour (golf clubs), Farberware (cookware), Ames (lawn, garden and industrial hardware) and Rexair (vacuum cleaners);
- Recreation and leisure, including Irte Toys and Valley (pool tables and electronic dart games);
- Jacuzzi, the whirlpool bath manufacturer, which is considered big enough to stand alone.

Hanson would keep a small stake in all the possible flotations.

If the US stock market unexpectedly falls out of bed, Lord White says, Hanson will quickly shelve the possible flotations and look for strategic buyers.

But unless or until that happens, the overheated US market for initial public offerings has been performing in line with a stock-promoter's wildest dreams. One recent example is Royal Appliances, which makes the "dirt devil" vacuum cleaner. It *came to market in August* 1991 at $15.50 a share; rose to $64; and is now around $40. With luck, such stories will make US investors forget Smith Corona.

Bull revamps Zenith Data strategy

By Alan Cane

ZENITH Data Systems (ZDS), the US-based personal computer arm of Groupe Bull of France, will today announce the most radical changes in the company's corporate and product strategy since it was established 13 years ago.

The changes, planned over the past 18 months, are designed to return ZDS to profitability in a market where prices are collapsing and many suppliers are chasing too few customers.

They will also indicate that ZDS is again a force to be reckoned with after a period in which it seemed to have lost direction.

The announcement, to be made in Paris by Mr Enrico Pesatori, ZDS's president and chief executive officer, will include the launch of 40 computer models in five families, all developed by ZDS since it was acquired from Zenith Electronics Corporation in a controversial $500m deal three years ago.

ZDS's entire line of notebook, desk top and network server computers will be revamped overnight. The company will claim leadership in several areas including portability, battery life and pricing. "We have a new corporate look that includes everything from our *products to our* logo," Mr Pesatori said. "ZDS is a whole new company."

A pioneer in portable computers, ZDS has been losing money since the Bull takeover. Mr Pesatori agreed it would not be profitable in the half-year to the end of June, but hoped it would break even over the whole year.

The success of ZDS is critical to Bull, which is hoping it will provide up to 40 per cent of overall revenues by 1994, compared with about 20 per cent at present. ZDS currently turns over more than $1bn; Bull, about $6bn.

As part of a deal made earlier this year with International Business Machines, ZDS will manufacture 150,000 notebook computers a year to IBM's specification.

A central element of the new strategy is to segment the product line, offering separate fami*lies of machine to the cost-con*scious and to the professional computer user.

Manufacturers are addressing the important low-cost sector of the market in various ways. Compaq, a leader in high-performance machines, will soon launch its first inexpensive models, while IBM has formed a wholly-owned subsidiary in Europe to sell cheap computers sourced from the Asia.

BAA shares advance in spite of 22% profit dip

By Paul Betts, Aerospace Correspondent

SLUGGISH air travel growth coupled with large property provisions and restructuring costs sent pre-tax profits at BAA, the UK airport operator, tumbling by 22 per cent to £192m ($349.5m) for the financial year ended March.

But the performance was generally well received by the City: BAA shares yesterday closed 14p higher at 679p in a weak market.

The pre-tax profits and an 11.5 per cent dividend increase were at the top end of City expectations.

The company announced a final dividend of 8.75p making a total for the year of 14.5p compared with 13p last year. Sir John Egan, BAA's chief executive, said the dividend increase reflected the company's growth expectations in the next two years.

Excluding property and restructuring provisions, pre-tax profits were slightly lower at £283m, compared with £284m the year before. Earnings per share were 19 per cent lower at 30.6p but excluding provisions they were up 5 per cent at 46.3p.

The company made £55m provisions to cover the downturn in the property market and a further £36m for voluntary staff redundancies which led to the reduction of 2,000 jobs during the financial year.

The company's Lynton property subsidiary made a net loss of £53.5m and its hotel activities also made a net loss of £22.9m.

BAA's core airport operations performed better than expected in a difficult market hit by recession and the impact of the Gulf conflict on air travel last year.

Sir John said traffic was showing signs of recovery. BAA expected annual growth of between 5 per cent and 8 per cent this year over last year's depressed levels, settling down to around 4 per cent in the longer term.

Total revenues rose 9 per cent to £909m, from £834m the previous year. The number of passengers using BAA airports was unchanged at 72m.

Heathrow, the company's flagship, saw a 2 per cent traffic increase with 42m passengers reflecting liberalisation of London's air traffic rules. In contrast, the traffic liberalisation depressed activity at Gatwick which suffered a 7.6 per cent fall in passengers to 18.8m.

Stansted, opened last year and BAA's only unprofitable airport, saw a 70 per cent traffic increase to 1.9m passengers.

Sir John confirmed plans to hold down the cost of building a fifth terminal at Heathrow to less than £900m instead of earlier estimates of around £1.6bn.

Lex, Page 16
BAA retailing, Page 24

Generali to establish Romanian venture

By Haig Simonian in Milan

GENERALI, Italy's biggest insurance company, moved a step back towards its central European roots with the signing yesterday of an accord to establish an insurance company in Romania. It will be working with the country's co-operative movement.

Trieste-based Generali was a important force in the insurance business in eastern and central Europe before the communist takeover. The group, which is one of the largest insurers in Europe, already has an operation in Hungary.

Generali is the first western insurer to return to the Romanian market. The new venture, to be called Generala Asigurari – the same name as Generali traded under until its activities were nationalised in 1947 – will be 51 per cent-owned by Generali. It should be operative by the start of next year.

Its local partners in the venture, which it expects will run both life and non-life lines, are three co-operatives in the retail and financial sectors. The new insurance company will be able to use over 1,000 outlets of the co-operative movement, which has been active in Romania for over 140 years, and is an important part of the country's economic life.

Generali gave no indication of how much it was investing in the venture.

Telecom seeks Spanish growth

NORTHERN Telecom de España, the Spanish subsidiary of the Canadian telecommunications group, Northern Telecom, wants to tighten links with Spain's Telefonica, Mr Paul Stern, executive president, said yesterday, AP-DJ reports from Madrid.

He said Northern Telecom had valuable technology and experience to offer.

Northern Telecom de España and Telefonica last week signed an accord to collaborate in data networking.

French insurers' man of influence builds a network

UAP chairman Jean Peyrelevade speaks to Alice Rawsthorn

Jean Peyrelevade: European coverage 'satisfactory'

WHEN leading figures in French finance were asked to name the most influential figure in their field, Mr Jean Peyrelevade, chairman of Union des Assurances de Paris (UAP), the biggest of the big French insurers, was top of the list.

Mr Peyrelevade says he is unimpressed. "It's of no interest to me at all," he said, puffing contentedly on one of his favourite Havana cigars in his opulent office.

However, as he is well aware, influence is important in the incestuous world of French commerce. Mr Peyrelevade owes his post at UAP to his standing with the ruling socialists; he was a senior aide to Mr Pierre Mauroy when the latter was prime minister.

Mr Peyrelevade is making the most of his political connections as UAP – and the other two state-controlled insurers, Groupes des Assurances Nationales (GAN) and Assurances Générales de France (AGF) – prepare for partial privatisation possibly early next year.

Partial privatisation, where the French government will sell minority stakes in the insurers, reducing its own holdings to as low as 51 per cent, comes at a sensitive time in the industry.

The French insurers have just announced lack-lustre results for 1991, when they were hit by the economic slowdown and the problems of the Paris property market, where they are significant investors. UAP itself saw net profits slide by 11 per cent, from FFr4.22bn to FFr3.77bn ($690m), on turnover of FFr155.3bn.

"We are operating in a very competitive market, and in some sectors there is too much pressure on prices," said Mr Peyrelevade. "Contrary to what a lot of people say, I don't believe that things will be better in 1992."

The medium-term outlook, he believes, is brighter, particularly in life insurance, which ought to benefit from the forthcoming expansion of France's private pension system.

In other sectors, he said, companies like UAP may have to "risk losing market share in order to protect profitability by bringing prices up to reasonable levels again".

In the meantime UAP, like the other French insurers, is concentrating on augmenting its European network. It is already established as Europe's second largest insurance group – after Allianz of Germany – with significant interests in the UK, Belgium, Italy, Spain, Greece and the Netherlands.

"Our European coverage is satisfactory now with one or two exceptions," said Mr Peyrelevade. One exception that he "eventually" plans to address is the UK, where UAP hopes to diversify into non-life insurance.

However, the immediate priority is Germany, the largest European insurance market, where UAP's presence is negligible.

Mr Peyrelevade sees Colonia, the German insurer controlled by Victoire, a French insurance group, as UAP's key to the German market. UAP owns 34 per cent of Victoire which is, in turn, controlled by the Suez group, of which Mr Peyrelevade was once chairman.

Mr Peyrelevade has, for months, been negotiating to swap part of UAP's Victoire shares for a stake in Colonia.

So far Suez has held out. Some analysts suspect it is making the most of its negotiating power to try and strike a hard bargain. "UAP is desperate to get into Germany and all it has to bargain with is a minority stake in Victoire," said one analyst. "UAP is over a barrel and Suez knows it."

The backdrop to the negotiations with Suez – which Mr Peyrelevade will not comment on – is the dialogue with the French government over partial privatisation. Mr Peyrelevade says it is up to the government to decide the terms of the forthcoming share sales. It has to decide the amount of equity involved and whether the companies themselves will be able to raise capital.

Behind the scenes, however, he, and the heads of the other large insurers, have been eager to express their opinions.

Mr Peyrelevade sees partial privatisation as the next logical step in the development of the French public sector. Although he is committed to the concept of state investment in industry, as an advocate of a mixed economy he sees the state's role as lending stability as a "long-term investor".

In its turn, he says, state-controlled companies, such as UAP, should lend stability to the private sector companies in which they have invested.

Despite his support for state ownership, Mr Peyrelevade has argued for changes in the relationship between the government and the companies it controls. He believes the state's shareholding should be reduced. The 51 per cent minimum permitted under the new partial privatisation rules will "do for the next few years", he says. In the longer term, however, he envisages the state reducing its investment until it becomes "an ordinary minority shareholder".

By then, he argues, the other vestiges of state control – notably its right to appoint the heads of companies, like himself – should have disappeared. "The same people would probably end up in charge," he said, with the confidence of a man convinced he would have risen to the top whatever the system. "But at least other shareholders would have their say."

In the meantime, the critical question for UAP and the other French insurers is whether they will be able to raise capital for themselves in the forthcoming share sales. Even as ardent a mixed economist as Mr Peyrelevade identifies the inability to raise capital – because of the constraints of state ownership – as a disadvantage for public sector companies such as UAP. He also recognises that it may have deterred some potential partners, if they were unwilling to work with a state-controlled concern.

UAP is, for instance, locked out of the US market, where publicly-owned companies are not allowed to invest in local insurers.

So far, Mr Peyrelevade claims, it has not been a large problem. "After all, we have become Europe's second largest insurer by expanding from our own resources," he said. "But in the long term, unless we can raise external capital, we could suffer in comparison with our international competitors like Allianz."

Heron expects to meet all interest payments on bonds

By Maggie Urry in London

HERON International, Mr Gerald Ronson's UK property group which is negotiating with its banks and bondholders over the rescheduling of £1.3bn ($2.37bn) of debt, said yesterday it did not expect to miss any interest payments on its bonds.

Interest on the 11 bonds, with a total principal value of around £450m, was up to date, and payments due later this month would be met, Mr Heron said.

No further coupon payments are due until November, and by then the group hopes a refinancing package will be complete.

An information memorandum is being prepared for bondholders and it is expected to be sent out next week.

This will give some details of a report produced by KPMG Peat Marwick, the accountants, at the banks' request.

The group is proposing to roll up interest payments on some of its bank debt after its stand-still agreement with its 82 banks expires at the end of July.

However, it is understood that the amount involved in the proposal is not large in the scale of the group's loans.

Some areas of the group, notably the UK trading operations, are continuing to generate cash and will meet interest payments on their debt. However, the group felt that it was inappropriate for parts of the business which are under greater pressure to make interest payments.

The company and its lead bankers believe that the group can be saved through an orderly sale of assets over the next few years, whereas a fire sale now, they believe, would leave creditors facing a £550m loss. This view was the essence of a plan put to bankers in April and was repeated by KPMG when the accounting firm presented its report to a meeting of the banks last Friday.

This report is said to have broadly supported the company's earlier work. The main difference was one of valuations of the properties.

At last Friday's meeting Debenham Tewson & Chinnocks emphasised that the valuation it provided for the KPMG report – which showed a £300m lower figure than Heron's valuers had produced for the March 31 year end – was a "desk-top" review and subject to the limitations inherent in that.

Two of Heron's valuers, which had done a more thorough review of the properties, said at the meeting that they stood by their earlier estimates.

Who's Who in Eastern Europe?

Budapest, Moscow, Prague, Warsaw, St.Petersburg, Kiev: We're there to serve you.

If there were a "Who's Who" for Central and Eastern Europe, the publisher would have to put out a new edition almost every day.

It has been only some two years since the dawn of the free-market era.

The command economy has virtually ceased to exist, even in the country that invented it. The Comecon trading bloc has been formally dissolved, documenting the desire of each member state to participate more fully in the world economy.

Both East and West stand to benefit from the trend toward closer commercial ties.

With a population of over 300 million, Eastern Europe represents a huge market for goods and services – one whose potential is increasingly being recognized by western firms with an eye to the future.

But for all the new opportunities, times of sweeping change are also times of risk. The transition to a market economy is taking on different forms and proceeding at various speeds across the region.

So to make sure that the uncertainties of doing business in the East remain manageable, western firms and investors need more than just a pioneer spirit.

If you've set your sights on long-term success, you'll need persistence, unconventional ideas and a willingness to implement them in unorthodox ways. And you'll have to find the right local partner for your particular business venture. But how are you to know who's who in the East?

And where are the prospects best for the kind of operation you have in mind? Because western companies find it difficult to assess events in the East from a distance, they do the logical thing – they talk to us.

Dresdner Bank has a tradition of excellent contacts throughout Central and Eastern Europe. Indeed, we were the first West European bank to open a Moscow office, with Warsaw, Prague, Budapest, St. Petersburg and Kiev following. We are also a managing partner in a Budapest commercial institution, BKD Bank. BNP-Dresdner Bank (ČSFR) in Prague is about to follow, and expansion to other cities is planned as well.

Thanks to this longstanding presence and our first-hand knowledge of political and economic developments, we can better evaluate the opportunities and risks awaiting western exporters, importers and investors.

The end result is practical advice tailored to specific business needs.

DOWC Ost-West-Consult, a member of the Dresdner Bank Group, focuses exclusively on consulting services for companies looking to do business with our eastern neighbors.

Our consulting professionals augment their own in-depth experience in the various national business environments by tapping the resources of "drekontakt", a kind of electronic "Who's Who" for Central and Eastern Europe providing continuously updated information on potential partners and financing strategies.

If you would like to know who's who in Eastern Europe, there's an easy way to find out. Talk to us. You can find us in more than 60 countries throughout the world.

Dresdner Bank

McGowan, MCI Communications chairman, dies

By Martin Dickson in New York

MR WILLIAM McGowan, chairman of MCI Communications and one of the most important figures behind the revolutionary changes in the structure of the US telecommunications industry over the past two decades, died yesterday in Washington of a heart attack. He was 64.

Mr McGowan bought a stake in a tiny, financially-ailing start-up company – then known as Microwave Communications Incorporated – in 1968 and turned it into the second-largest long-distance telephone company in the US.

Central to his success was the legal challenge he mounted to mighty American Telephone & Telegraph, which led in 1978 to a court ruling breaking AT&T's monopoly of the long-distance telephone market.

A workaholic by nature, Mr McGowan underwent heart transplant surgery in 1987 but returned to the company just a few months later.

However, in recent years he had steadily withdrawn from day-to-day responsibilities at MCI and late last year he ceded his role as chief executive to Mr Bert Roberts, MCI's president and Mr McGowan's long-time heir-apparent.

The company did not immediately name a successor as chairman yesterday morning.

At lunchtime its shares stood at $32⅝, up $¾ in trading on the Nasdaq over-the-counter market.

Mr McGowan, whose father was a Pennsylvanian railroad engineer and mother a teacher, was already a successful entrepreneur when in 1968 he launched MCI as a private microwave-radio service for truck drivers in the Midwest.

He first took on AT&T the following year, when MCI received government approval to establish a microwave link between Chicago and St Louis.

Over the subsequent decade and a half MCI gained a reputation as a brash, risk-taker as the company constantly harried the monopoly before regulatory agencies and in the courts.

His ultimate vindication came in 1984 when AT&T's local telephone services were spun off into seven separate "Baby Bell" regional companies under a court-ordered break-up on anti-trust grounds in a case brought by the Justice Department.

● Gandalf Technologies, an Ottawa-based maker of specialised communications products, reported a loss of C$11m (US$9.2m), or 73 cents a share, for the eight months ended March 31, following a merger with Infotron Systems of New Jersey, writes Robert Gibbens.

In the previous 12-month period, the company suffered a loss of C$6.7m, or 55 cents.

Hongkong Bank's O&Y exposure set at $787m

By Simon Holberton in Hong Kong

HONGKONG and Shanghai Bank, one of the largest single creditors of Olympia & York, the troubled Canadian property developer, said yesterday its total exposure to the company was $787m.

In an unusual move, Hongkong Bank issued a statement "in view of recent press speculation" about its exposure to O&Y. It rebutted suggestions it was a large lender to the Canary Wharf development in London, saying it had an exposure to that project of less than $9m.

The bulk of the bank's advance to O&Y had arisen from its participation in a $2.5bn syndicated loan to Olympia and York Resources Credit Corp, the bank said.

The syndicate effectively has a first charge over O&Y's 71 per cent stake in Gulf Canada Resources and 82 per cent interest in Abitibi-Price, a pulp and newsprint manufacturer.

The current "loan-to-market value ratio" of these two assets was around 66 per cent, the bank said. This suggests that Hongkong Bank might have to provide up to $270m if the underlying assets were sold at current values.

However, the bank said it may recover the principal of the debt in the long term.

Meanwhile, Hongkong Bank anticipated making a specific provision for the loan, the size of which is yet to be determined. The provision would be written off against this year's profits.

Kobe Steel pins its faith in chip expansion

Robert Thomson on prospects for the group's joint venture with Texas Instruments

IN THE rural surrounds of western Japan, executives of Kobe Steel and Texas Instruments last week celebrated the completion of the world's latest semiconductor plant, a monument to US-Japanese co-operation in electronics and to Japanese steel companies' diversification programmes.

At the same moment, back in Tokyo, representatives of the two countries' chip industries were haggling over foreign market share in Japan.

These squabbles were not heard by the celebrants gathered in a gaily-decorated local hall at Nishiwaki, whose mayor thought it appropriate that the factory was finished just as the world semiconductor market had taken a turn for the better.

The mayor appears to have been looking at the wrong spread sheets. Prices for the memory chips to be produced at the Y55bn ($429.7m) wafer fabrication plant in its first phase of operation have been in steep decline for the past year, and the industry is still characterised by excess capacity and weak demand.

But Kobe Steel likes to see itself as different to other Japanese steelmakers, whose electronics ventures have generally soaked up enormous amounts of investment and returned little in profits.

And Kobe remains confident, even though established Japanese electronics companies are reviewing their ailing chip operations, which were partly responsible for profit falls ranging from 43.1 per cent to 68.6 per cent in the year to the end of March.

Mr Sokichi Kametaka, president of Kobe Steel, said the joint venture company, KTI Semiconductor, in which his company has a 75 per cent share, will accelerate Kobe's "diversification into the mainstream" of the electronics industry.

"The semiconductor field is seen as an area with strong growth and is expected to have a very positive impact on the Kobe Steel group," Mr Kametaka said.

Japanese steelmakers are looking for the positive in a year in which steel demand is slowing and diversification projects are in difficulty.

Kobe can point to a 15.5 per cent fall in pre-tax profits last year: that was below the 45 per cent drop at Sumitomo Metal Industries, the 37 per cent fall at Nippon Steel and the 25.5 per cent decline at NKK.

NKK, Japan's second-largest steelmaker, has just released a review of its long-term management plan that re-emphasises the importance of the core steel business, and concedes that new business areas are likely to contribute less to profits than previously forecast.

In a previous plan, drafted in 1988, NKK reckoned that new business would account for 25 per cent of annual sales by the year 2000 – that figure has been revised down to 16 per cent. Engineering business is expected to account for 31 per cent of sales, up from the previously forecast 25 per cent, and steel for 53 per cent, instead of 50 per cent.

Kawasaki Steel, which has a joint-venture chip factory with LSI Logic of the US and its own plant, said last week that its recruitment of semiconductor staff has been capped. By the year 2000, Kawasaki hopes, optimistically, that chip sales will be Y200bn, or about 10 per cent of total sales.

However, the Electronic Industries Association of Japan (EIAJ) senses that the traditional chipmakers and the newcomers, such as Kobe and Kawasaki, may have got their numbers wrong.

The EIAJ last week warned companies not to expect a repeat of the rapid market growth of the late 1980s, and advised them to develop new products, while refraining from "excessive" investment in increased capacity for memory chips.

In opening a plant two days after the EIAJ advisory, Kobe Steel is counting on the upturn in demand that the entire industry has sweated on for the past year.

Meanwhile, US industry officials hinted last week that they were content to leave the crowded memory chip market to Japanese and Korean companies, while themselves concentrating on customised chips and microprocessors.

KTI is planning to start production in the autumn with a new generation of 16Mbit memory devices. But the company is unsure whether there will be sufficient demand, for example, from makers of work stations, for these high-capacity chips and whether the venture will have to turn to the present generation 4Mbit chips in order to ramp-up the fabrication facility.

After gathering expertise from memory chip production, the facility will be turned over to application-specific chips for consumer and industrial electronics. These items tend to have smaller production runs designed to suit customer requirements, and KTI hopes there will a queue of such customers.

Kobe Steel began diversifying well ahead of the competition, and steel now accounts for only 48 per cent of total sales, with machinery, aluminium and copper products comprising most of the remainder.

The shift into electronics began in late 1987 with the establishment of Genesis Technology (GTI), which provides testing services for chips.

If not actually providing much steel "synergy", the new Nishiwaki plant does have a certain political synergy. The finished products will be marketed through Texas Instruments and counted as foreign semiconductors in the Japanese market and, in a small way, perhaps ease trade friction with Washington.

For the US company, which already has four plants in Japan, Kobe Steel's enthusiasm for electronics provided an opportunity to share the considerable costs of a new facility. Mr Jerry Junkins, TI's chief executive officer, told the people of Nishiwaki that "with many other demands for resources on us in other parts of the world, it was desirable to seek a partner for this additional effort in Japan".

Kobe Steel's Nishiwaki chip plant – a monument to US-Japanese co-operation

Fresh bid to resolve row over Argentine airline

By John Barham in Buenos Aires

SPANISH and Argentine government officials are expected to hold talks this week in an attempt to break the deadlock between Argentina's transport department and Iberia, the majority shareholder in Aerolíneas Argentinas, the privatised Argentine carrier.

Tension between Iberia and the government began almost immediately after 85 per cent of Aerolíneas was sold to an Iberia-led consortium in November 1990.

However, the dispute took another turn last week when the Argentine government, which retains a 5 per cent stake in Aerolíneas, rejected the company's draft 1991 accounts at the annual meeting.

An Argentine government representative and a representative of the employees' stock participation scheme, which holds 10 per cent of the airline, angrily objected to an item reportedly stating the company's liabilities at about $670m, most of it due to some $390m in debts run up by the company's new owners.

The owners have secured the debt with seven Aerolíneas aircraft, even though the government claims this is forbidden under the sale contract.

The government sold Aerolíneas free of all liabilities, but now finds the company has incurred heavy debts, apparently taken on to pay for the deal.

Aerolíneas was sold for $260m and a further $2.01bn in a debt-for-equity swap. Neither the government, Aerolíneas or their auditors Arthur Andersen were available yesterday for comment.

The sale of Aerolíneas, Argentina's second privatisation, was troubled from the start. A dispute among shareholders forced Iberia and other investors based in Spain to take a majority stake in the airline. A subsequent dispute with the Argentine government over the precise amount due in payment further increased tension.

WR Grace to sell organic chemicals arm

W.R. GRACE, the US speciality chemicals group, has agreed in principle to sell its organic chemicals business and related assets to a new company organised by Vestar Capital Partners, a private investment firm based in New York, AP-DJ reports from Boca Raton, Florida.

The new company will be headed by Mr Edward Najjar, president of Grace's organic chemicals division.

The transaction, valued at over $100m, is subject to the approval of Grace's board. It is expected to take three to four months to complete.

Grace said that by divesting non-core businesses it would be able reduce its debt load.

The division, based in Massachusetts, produces chemical intermediates used in cosmetic and personal care products, soaps and detergents, pharmaceuticals, water treatment and other applications.

SA banks cautious on UK

By Philip Gawith in Johannesburg.

THE ANNOUNCEMENT by the South African Standard Bank group that it has obtained a UK banking licence will not necessarily lead to a flood of similar applications from other South African banks.

Although the banking community is enjoying the greater business freedom allowed by the country's political rehabilitation, the new possibilities this opens up are being assessed cautiously.

Mr Piet Badenhorst, chief executive of ABSA, South Africa's largest banking group, is known to be of the view that obtaining a banking licence in London is not a high priority.

An ABSA spokesman says London is a very crowded market, and also one perceived as being heavily controlled by the status quo in the City.

He says an ABSA operation there is still some way off. The group's sheer size, however, may hasten the process.

Piet Badenhorst: London licence not a priority

Mr Badenhorst said at a recent presentation that they were attracting new corporate clients because of their size, and because corporations wanted to spread their exposure. If these clients required an overseas service, ABSA would clearly provide it.

Mr Viv Bartlett, senior general manager at First National Bank (FNB), said they were examining options in relation to London and would be making a decision "in the not too distant future".

He said the primary focus of offshore operations would be in assisting corporate investors with their trade-flows and foreign exchange dealing operations.

Mr Bartlett said obtaining a UK banking licence – the one issued to Standard was the first to a South African bank since 1985 – should not be a problem. "Since the political changes, the signals out of London have been that we would be warmly received."

Mr Bartlett said an application was being processed for an FNB branch in Zurich, while they were submitting an application for a separate deposit taking company licence in Hong Kong.

A disincentive to making a "bricks and mortar" investment abroad is the high cost because offshore purchases have to be financed through the financial rand mechanism.

No Nedcor Bank spokesman was available for comment.

BioChem Pharma defers 3.5m share offering

By Robert Gibbens in Montreal

BIOCHEM Pharma, Glaxo's Canadian partner in the development of the 3TC treatment for the Aids disease, has withdrawn its first international equity offering of 3.5m new shares because of a sharp drop last week in the market value of its existing stock.

The company said it could not explain the drop in the share price from a 52-week high of C$35 to below C$20 in North American markets.

Clinical trials of 3TC, conducted by Glaxo, the UK pharmaceuticals group, are "progressing well" and preliminary information is scheduled to be released at next month's International Aids Conference in Amsterdam.

BioChem maintained that its financial position was strong, with net cash exceeding C$30m (US$25.2m).

This position is expected to be enhanced by new capital from warrant, option and equity subscriptions amounting to around C$40m during the rest of the company's financial year.

British and continental European interest exceeded the target 1.75m new shares that were to be sold in Europe.

BioChem will proceed with full listing on the London Stock Exchange later this year, and Kleinwort Benson has been named its global financial adviser.

BioChem is working on a number of new products for detection, prevention and treatment of diseases. The company also makes vaccines and diagnostic kits.

● Magna International, Canada's biggest independent car parts maker, is raising a further C$103m in new equity by a public issue of subordinated voting shares at C$32.25 each.

The proceeds of the issue will be used to reduce debt.

Pentagon lifts contracts ban on GE engines

THE PENTAGON has lifted a ban on awarding new contracts to General Electric's aircraft engine division, just four days after it imposed the punishment over GE's involvement in an Israeli bribery scandal, writes our New York staff.

The Pentagon's Defence Logistics Agency said it had lifted the ban because of GE's rapid response to the government's concerns about the management of the engine division, including an agreement to more government oversight of the operations.

According to a suit being prosecuted by the US Justice Department, officials in GE's aircraft engines division were involved in kickbacks to Gen Rami Dotan of the Israeli air force to help insure equipment sales to that country.

Avon plans 1,000 job cuts by 1994

AVON Products, one of the world's largest manufacturers of cosmetics and toiletries, is planning to cut around 1,000 jobs by 1994 – a move which the company says will help reduce annual operating costs by around $40m, writes Nikki Tait in New York.

At end-December, the New York-based company employed around 30,500 people, one-third of whom were in the US and the rest overseas.

The announcement came as Avon said it was shutting down a manufacturing operation in Alcala de Henares in Spain. This will eliminate around 140 jobs.

Avon, which has operated in Spain for almost three decades, will retain a local headquarters and distribution centre in Alcala de Henares, but will supply the Spanish market from manufacturing facilities in the UK, Germany and Italy.

US court rules against Kodak in service dispute

THE US SUPREME Court has ruled against an appeal by Eastman Kodak, the US photographic products group, in a decision that raises key questions about a company's ability to control replacement parts and service on equipment it manufactures, AP-DJ reports from Washington.

The justices, on a 6-3 vote, affirmed a federal appeals court ruling reinstating an anti-trust lawsuit filed against Kodak in 1987 by 18 independent companies that repair Kodak copiers and printers.

The service companies charged that Kodak had violated federal anti-trust law by refusing to sell replacement parts to owners of Kodak equipment unless they agreed not to do business with independent service companies.

The companies alleged that this illegally tied the sale of one product to a separate condition or service. The lawsuit also charged that Kodak illegally refused to sell replacement parts directly to independent service companies.

Kodak argued that it did not have sufficient control over the market for copiers and microfilm printers to be able to engage in anti-competitive practices that inflate the price of repair services.

INTERNATIONAL COMPANIES AND FINANCE

Canadian utility finances turbines deal through FSC

By Bernard Simon in Toronto

HYDRO-QUEBEC, the Canadian power utility, has become the first company outside the aircraft industry to finance a capital equipment purchase through a US Ownership Foreign Sales Corporation (FSC).

The Montreal-based utility used an FSC – a complicated form of tax-sheltered leveraged lease – to acquire four gas turbines, worth US$90m, from General Electric of the US.

The participants declined to give precise details and terms of the turbines deal, which was concluded just over a month ago. The idea was the brainchild of Babcock & Brown, a New York investment bank, and CCG Equipment, an equipment-financing company based in Barbados. CCG's shareholders are a number of US and Canadian financial institutions, including Confederation Life of Toronto.

Capstar Partners, a New York-based boutique run by a group of former investment bankers, acted as Hydro-Quebec's financial adviser.

FSCs first made their appearance two years ago, and have subsequently become a popular vehicle for foreign airlines to lease US-made aircraft. Some 75 to 100 FSC deals are expected to be completed this year.

The main difference between an FSC and a lease is that the former requires a sale outside the US. A Foreign Sales Corporation, which functions as a subsidiary of a US company, is usually incorporated in an offshore tax haven.

Financing is provided jointly by equity investors and lenders. The equity participant benefits from lease payments as well as the straight-line depreciation of the asset on its books. The lender is paid a negotiated interest rate.

In the case of the Hydro-Quebec turbine contract, the equity investor is a subsidiary of the Bank of New York. CCG Equipment provided the debt finance.

Mr Claude Germain, Hydro-Quebec's director of financing management, said the savings were enough to cover the unusually high legal and manpower costs and still produce an "interesting" saving compared with other forms of finance.

Hydro-Quebec turned to an FSC as part of a strategy to diversify its funding sources.

Japanese companies post Y2,237bn non-operating loss

By Emiko Terazono in Tokyo

JAPANESE companies' non-operating profits were squeezed by losses on securities investments, the decline in cash-flow and the rise in interest payments due to increases in short and long-term borrowings.

According to Wako Research Institute of Economics, 1,086 leading companies, excluding financials, listed on the Tokyo Stock Exchange, posted a combined non-operating loss of Y2,237bn ($17.64bn) in the year ended March 1992.

The non-operating balance reflects profits and losses from financial items such as interest and dividends and gains and losses through financial investments. Wako said the combined non-operating balance, which had risen for eight consecutive years since fiscal 1982, declined for the second year in a row.

The sharp rise in Japanese share prices in the late 1980s and access to cheap equity-linked financing led Japanese companies to rely on non-operating profits to boost pre-tax profits.

But the stock market slump has forced many companies to post losses on stock investments, and cash-flow declines due to sharp falls in operating profits have eroded non-operating balances at most manufacturers.

No-frills investment banker stays ahead of the game

Patrick Harverson meets the new chief executive at Alex Brown, the Baltimore-based securities house

LUNCH at the oldest investment bank in the US is a modest affair. There are no thick-carpeted dining rooms, nouvelle cuisine dishes or stunning Manhattan views when you break bread with the top brass at Alex Brown & Sons.

This is not surprising, considering the firm is based in Baltimore, not New York. Despite its venerable age and blue-blooded history (it was founded in 1800), Alex Brown does not put on Wall Street's airs and graces.

Over a simple chicken salad in a basement boardroom, Mr Buzzy Krongard, the firm's ex-marine chief executive, dispenses maritime metaphors with abandon.

"The skill is in rigging our ship so that we are prepared to take maximum advantage when the wind picks up behind us," he says.

Mr Krongard is alluding to Alex Brown's strong performance in 1991 and so far this year, when the company exploited handsomely its position as one of the country's most experienced investment banks at taking new companies to the stock market.

In the past year and a half, and especially in the last 12 months, US companies launched initial public offerings (IPOs) of their stock in unprecedented numbers. The rush was spurred by strong demand from investors for equities and record-breaking share prices, which persuaded capital-hungry companies the time was right to raise funds for refinancings and expansion.

Many of the newcomers were from the young, fast-growing industries such as healthcare, biotechnology development and computers – of the type that Alex Brown had a decade of experience in bringing to the market. With so many companies in their specialist industries going public, Alex Brown reaped the benefits of the IPO avalanche.

Of the $24.3bn raised in IPOs last year, Alex Brown accounted for $5.9bn in 38 separate issues, making it the leading IPO house in the nation (when deals are measured by full credit to lead manager). The strength of the IPO business lifted the company's profits to a record $52m in 1991. Its return on equity of 26.5 per cent was the second-best in the industry.

In the first quarter of this year, however, Alex Brown's share of the IPO business shrank. In the opening three months it lead-managed just seven IPOs valued at $410.3m. The chief explanation for the drop-off is that the industries which the company specialises in had a difficult quarter.

To counteract the ups and downs of the IPO world, the company relies on its retail broking, asset management and (to a lesser extent) mergers and acquisitions businesses.

On the retail side, Alex Brown has just under 400 brokers, whose average annual production of $420,000 each in 1991 was the best in the industry. Alongside its retail broking operations, there is a growing asset management business. Last year, managed assets rose 19 per cent in 1991 to $47.6bn, and the company is currently adding new products and services (fixed-income and environmental funds, for example) to bolster that growth.

INITIAL PUBLIC OFFERINGS OF STOCK 1991
(Full credit to lead manager)

Manager	$m
Alex Brown	5,948
Merrill	3,602
Goldman	2,869
First Boston	1,631
Prudential Securities	1,512
Morgan Stanley	1,174
Lehman Bros	1,095
PaineWebber	961
Piper, Jaffray	552
Salomon Bros	517
First quarter 1992	
Merrill	2,032
Morgan Stanley	1,556
Goldman	1,151
PaineWebber	714
Salomon Bros	672
Dean Witter Cap Mkts	511
Lehman Bros	480
Piper, Jaffray	439
Alex Brown	410
Donaldson Lufkin	332

Source: IDD Information Services

Alex Brown is keen to build up its M&A business, but it is sticking to its specialist industries. Mr Mayo Shattuck, the 37-year-old president, says the company hawks its industry, not its M&A, expertise to prospective clients.

Alex Brown has been fortunate that the decline in M&A has been offset by a boom in financial restructurings, especially in the pre-packaged bankruptcy business. "The beauty for us is that we weren't involved in screwing up those companies in the first place," says Mr Shattuck.

Part of Alex Brown's corporate restructuring business includes its new bond trading operation in New York.

Unlike former days when the fixed-income desk acted like an island within the company, it will be a fully integrated part of the investment banking division, focusing on the high-yield end of the bond market. Another new area is US/Japanese cross-border transactions, especially joint ventures.

Alex Brown has been able to pursue new ventures because of some welcome stability at the top. It is a relatively new phenomenon. In 1989, after running into financial difficulties, the management of Alex Brown shifted from chief executive Mr Hebb to a power-sharing committee of three – Mr Hebb, the chairman, Mr Griswold, and Mr Krongard.

The experiment with the "chief executive triumvirate" proved a disaster, and Mr Hebb eventually stepped down in late 1990. There followed a morale-sapping seven-month search for a new chief executive, undertaken against the background of an unsettling power-struggle between the old retail broking professionals and the young turks of investment banking and capital markets.

It was not until Mr Krongard's appointment as sole chief executive in July last year that peace and stability was restored.

Today, with earnings at record levels and the ship sailing along nicely, the chairman can joke about it all. "Everyone at the time talked about an old guard and a new guard," says Mr Griswold.

"Well, today there is only one guard, and that's Buzzy Krongard."

Attempting to waken a slumbering Greek giant

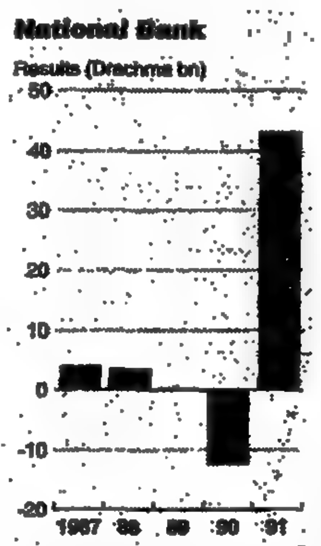
Kerin Hope on management efforts to improve services and win back corporate clients at National Bank

NATIONAL Bank, the sleeping giant of Greek banking, is being prodded awake by a new management team.

The three state-run commercial banks dominate Greek banking and National Bank, with assets of around $28bn (60 per cent of total banking assets), is much the biggest player. It has a network of 550 branches and is well placed to benefit from the deregulation.

The debit side is that National Bank's proportion of non-performing loans is high following decades of government-influenced lending, it is overstaffed, and expertise in several specialised banking areas is in short supply.

The stimulus for change eventually came from within the government. The Finance Ministry, which acts as proxy for an unwieldy group of state organisations that control the bank, appointed a team of younger managers, several of whom had worked abroad or with foreign banks in Greece.



Source: Datastream

The new governor, Mr Michael Vranopoulos, has a mandate to restructure the bank's operations to compete effectively in the single European market. "In management terms, we have to catapult the bank from the 1950s to the 1990s. We have to improve services and win back corporate clients. Our big problem is that we have a lot of business which nobody else wants."

An example of this is that National Bank handles almost all state pension fund contributions and payments. It also acts as paymaster for several hundred thousand employees of public sector corporations.

The bank's first step towards reform was to admit the extent of bad credit, by abandoning the practice of accruing interest on doubtful loans. It reported a loss of Dr12.3bn ($64m) for 1990, its first negative results in living memory.

Last year, National Bank almost doubled its capital base through a Dr36.6bn preferential rights offering and a Dr120bn convertible bond issue. Most of the bond issue was taken up by the government.

At the same time, the bank set up a new subsidiary (National Capital) in order to syphon off weak assets such as bad loans, low-yielding shares, property and subsidiaries awaiting privatisation. So far, assets of Dr35bn have been transferred to National Capital. "It will take two to three years to weed out the company's portfolio. Then it can be merged again with the bank," says Mr Spyros Capralos, a deputy governor.

The overhaul has brought a swift return to profit. National Bank reported its best earnings of Dr43.1bn for 1991, despite an increase in provisions from Dr7bn to Dr45.9bn.

Provisions are now equivalent to eight per cent of lending and will be increased again next year, according to Mr Vranopoulos. This is partly because the bank has exposure to a group of nationalised industrial companies whose debts will have to be written off before they can be privatised.

National Bank is adopting an aggressive lending policy, taking advantage of deregulation of interest rates. The bank's computer system is being upgraded to bring on-line all but a few branches on remoter Aegean islands. About 100 automated teller machines have been installed around Athens and in major tourist resorts and 300 more are planned.

National Bank's overseas operations, set up to serve Greek immigrants to the US, Canada and South Africa, are also being reviewed. "It's no longer enough to help a Greek migrant send remittances home. The overseas units must start competing in their local markets," says Mr Stefanos Vavalidis, who has the task of upgrading the bank's 67 subsidiaries and branches abroad.

There is still a long way to go. Despite its improved results, National Bank's return on assets remains negative.

The government promises to introduce legislation this year to abolish the Finance Ministry's proxy. "The bank needs to be much more independent of government. The new law is a priority," says Mr Vranopoulos.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 8, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise: in some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.1166	34.048	42.5966
Albania	(Lek)	91.525	49.9045	31.3979	39.2811
Algeria	(Dinar)	39.6852	21.6386	13.6141	17.0322
Andorra	(Fr Fr)	9.8250	5.3571	3.3704	4.2167
	(Sp Peseta)	184.00	100.327	63.1217	78.9699
Angola	(Kwanza)	997.145	543.7	342.074	427.959
Antigua	(E Carr $)	4.9423	2.6948	1.6954	2.1211
Argentina	(Peso)	1.8165	0.9904	0.6231	0.7796
Aruba	(Florin)	3.2766	1.7866	1.124	1.4062
Australia	(Aus $)	2.3980	1.3075	0.8226	1.0291
Austria	(Schilling)	20.515	11.1859	7.0377	8.8047
Azores	(Port Escudo)	243.40	132.715	83.4991	104.464
Bahamas	(Bahama $)	1.8340	1	0.6291	0.7871
Bahrain	(Dinar)	0.6892	0.3757	0.2364	0.2957
Balearic Is	(Sp Peseta)	184.00	100.327	63.1217	78.9699
Bangladesh	(Taka)	69.0	37.6226	23.6706	29.6137
Barbados	(Barb $)	3.6817	2.0074	1.263	1.5801
Belgium	(Belg Fr)	60.00	32.7153	20.5831	25.751
Belize	(B $)	3.6610	1.9961	1.2559	1.5712
Benin	(CFA Fr)	491.25	267.857	168.525	210.837
Bermuda	(Bermudian $)	1.8340	1	0.6291	0.7871
Bhutan	(Ngultrum)	54.0	29.4438	18.5248	23.1759
Bolivia	(Boliviano)	7.0566	3.8476	2.4207	3.0285
Botswana	(Pula)	3.8784	2.1147	1.3304	1.6645
Brazil	(Cruzeiro)	5463.125	2978.8	1874.14	2344.69
Brunei	(Brunei $)	2.9840	1.627	1.0236	1.2806
Bulgaria	(Lev)	32.24	17.579	11.06	13.8369
Burkina Faso	(CFA Fr)	491.25	267.857	168.525	210.837

Special Drawing Rights June 5 United Kingdom £0.767934 United States $1.40340 Germany D Mark 2.23786 Japan Yen178.683
European Currency Unit Rates June 5 United Kingdom £0.703386 United States $1.28699 Germany D Mark 2.05017 Japan Yen163.682

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar. (v) Floating rate; (z) Sabatian dinar floating.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4365/5.
Monday, June 8, 1992

Williams Holdings taps US institutions

By Simon London

WILLIAMS Holdings, the UK industrial group, has raised $175m long-term debt from a placing of bonds with US investment institutions.

The placing is the latest in a series by UK companies keen to tap sources of debt finance away from the syndicated bank credits market. Other companies to have raised funds from US institutions this year include Pilkington, Lucas Industries and Harrisons & Crosfield.

Last month, British Aerospace raised $200m five-year funding from an issue of bonds under SEC rule 144a, which created a hybrid public/private debt market. The rule allows borrowers to place tradeable bonds with recognised investment institutions and exempts them from many of the reporting requirements applied to issuers of public securities.

The BAe bonds were priced to yield 104 basis points over US Treasury paper and were placed with a group of more than 20 institutional investors. The issue, made under the issuer's medium-term note programme, was lead-managed by Goldman Sachs.

Like most other UK corporations, Williams Holdings opted not to use rule 144a. The group placed bonds privately with seven institutional investors in a deal lead-managed by Wertheim Schroder.

The debt is structured in four tranches, with maturities between 10 and 20 years. At the shortest maturity, the paper was priced to yield 110 basis points more than US Treasury paper. The 20-year bonds yield around 145 basis points more than long-dated treasuries.

"We see this as an alternative to equity funding rather than short-term bank debt," commented Mr Brian McGowan, chief executive. "This style of long-term funding allows us to plan ahead."

Mr McGowan said the proceeds of the issue would be used for expansion, probably to fund small acquisitions in the US and Canada.

Europe continues slide in high-yielding paper

By Sara Webb in London and Patrick Harverson in New York

EUROPE'S higher-yielding government bond markets continued their slide yesterday in the wake of Denmark's rejection of the Maastricht treaty. The referendum result dashed investors' hopes of convergence in European interest rates and led to a sharp drop in the high-yielding markets last week.

GOVERNMENT BONDS

Italy, which was once one of the more popular high-yielding European bond markets, suffered a further setback on fears that the Bank of Italy may be forced to raise interest rates in order to support the lira.

The emergency funds rate was raised by 50 basis points to 13 per cent last week, and dealers said the market was worried that the central bank would have to raise the discount rate from its current level of 12 per cent if the currency comes under further pressure.

News that Moody's, the rating agency, has placed Italy's foreign currency debt under review for possible downgrade also upset the bond market, dealers said. The 12 per cent government bond due May 2002 fell in price from 96.40 at Friday's close to end at 95.50 yesterday. The futures contract fell from its opening of 96.05 to close at 95.39.

Many of the European bond markets were closed yesterday for a public holiday. However, dealers reported a continuation of last week's trend of switching out of high-yielding markets into the safety of the D-Mark bloc using the futures market. The Liffe bund futures contract rose from 88.06 to 88.21.

■ UK GILTS fell nearly half a percentage point as the market continued to suffer from worries about convergence and the government's heavy funding programme.

The Liffe gilt futures contract fell from Friday's close of 98.06 to open at 97.31, and ended the day at 97.22 on a volume of about 27,000 contracts. The benchmark 11¾ per cent gilt due 2003/07 fell from Friday's close of 116$\frac{1}{4}$ to trade at 115¾ by late afternoon.

■ JAPANESE government bonds ended the day mixed, with the futures contract and long-dated issues closing lower while shorter-dated bonds finished the day slightly firmer.

Dealers said the bond market opened on a firm note, helped by the stronger yen and the release on Friday of slightly worse-than-expected jobs data in the US for May. The figures raised hopes of a further easing in US monetary policy and encouraged Japanese government bond prices to open stronger.

The benchmark No 129 issue opened with a yield of 5.465 per cent, moved to 5.455 per cent and fell on futures-driven selling to close at 5.505 per cent. The futures contract, which opened at 102.07, reached a high of 102.09, then fell back to end the day at 101.75.

Dealers expect the market to trade in a narrow range ahead of the Bank of Japan's quarterly survey of business sentiment – the Tankan – which is due on Friday.

■ AFTER the excitement generated on Friday by an unexpectedly weak May employment report, US Treasury markets settled down into a narrow trading range yesterday as dealers and investors digested the implications of last week's monthly jobs data.

In late trading, the benchmark 30-year government issue was up $\frac{1}{32}$ at 101$\frac{21}{32}$, yielding 7.838 per cent. Prices were firmer at the short end of the market, with the two-year note up ⅛ at 100$\frac{1}{32}$, yielding 5.057 per cent.

Late last week, prices gained on the unforeseen rise in the monthly unemployment rate from 7.2 per cent to 7.5 per cent, which boosted hopes of another policy ease by the Federal Reserve.

A closer study of the figures, however, revealed that labour market conditions were mixed in May, and there was enough evidence of an improvement in the employment situation in certain sectors to prevent the market from adding substantially to Friday's gains.

By yesterday, the consensus appeared to be that while the May jobs data had negative implications for the state of the economic recovery, they were not bad enough to warrant an interest rate cut by the Fed.

Dealers and investors, therefore, were holding their fire, awaiting the next set of economic numbers, which are due out later this week.

Thursday will see the publication of May retail sales and producer price index figures, while on Friday details of May consumer prices and April business inventories will be released.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.0025	-	8.95	9.10	9.20
BELGIUM		9.000	08/01	100.8000	-	8.87	8.78	8.78
CANADA *		8.500	04/02	101.2800	-0.200	8.31	8.50	8.72
DENMARK		9.000	11/00	100.4000	-	8.91	8.87	8.78
FRANCE	BTAN	8.500	03/97	98.3370	-0.087	8.92	8.73	8.75
	OAT	8.500	11/02	98.5100	-	8.70	8.51	8.62
GERMANY		8.000	01/02	100.4800	+0.140	7.91	7.94	7.98
ITALY		12.000	02/02	95.6400	-0.735	13.20†	12.69	12.59
JAPAN	No 119	4.800	06/99	95.2413	-0.249	5.75	5.73	5.86
	No 129	6.400	03/00	104.8451	-0.288	5.51	5.53	5.58
NETHERLANDS		8.250	02/02	99.8400	+0.090	8.29	8.30	8.32
SPAIN		11.300	01/02	99.5000	-0.400	11.35	10.90	10.88
UK GILTS		10.000	11/96	102-21	-6/32	9.25	9.11	9.27
		9.750	08/02	103-23	-11/32	9.18	8.96	9.15
		9.000	10/08	99-23	-16/32	9.03	8.78	9.04
US TREASURY *		7.500	05/02	101-10	-9/32	7.31	7.35	7.42
		8.000	11/21	101-25	+0/32	7.84	7.86	7.92
ECU (French Govt)		8.500	03/02	96.8800	-0.580	8.99	8.55	8.64

London closing, *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Italy's foreign debt under review by Moody's

By Tracy Corrigan

ITALY'S foreign debt has been placed under review for possible downgrade by Moody's, the US rating agency, following the uncertainty surrounding the future of European monetary union. Around $21bn of foreign debt is affected.

Just under a year ago, Moody's downgraded Italy's long-term debt from triple-A to double-A1. The debt is rated double-A plus by Standard & Poor's, the other leading credit rating agency.

Moody's cited two main reasons for the review: the continuing growth of Italy's debt burden, and the difficulties of overcoming fiscal problems.

Fiscal packages in 1991 only succeeded in holding the public sector deficit at the same level as in 1990 (10.7 per cent of gross domestic product), while income and expenditure trends suggest the deficit will continue to grow as a percentage of GDP.

"It may be increasingly difficult to reverse the underlying fiscal trends," Moody's said. Italian interest rates are expected to rise on doubts over the progress of monetary union, following Denmark's rejection of the Maastricht treaty.

The fragmentation of the Italian parliament following April's elections will also make the consensus needed to cut the deficit even harder to find.

News of the review prompted Italian debt prices to weaken. Spreads of Italian Eurobonds widened by about five basis points relative to the US Treasury market. Italy's 9⅝ Eurobonds due 1999, for example, widened to 40 basis points over the curve.

Outstanding bonds are suffering from some decline in liquidity as Italy has not tapped the international bond market in over a year, relying instead on its domestic bond market.

Turmoil eases as holiday calm settles on the market

By Tracy Corrigan

FOLLOWING the turmoil of last week's bond markets, calm descended on the primary Eurobond market yesterday as holidays throughout much of continental Europe precluded much activity.

INTERNATIONAL BONDS

The focus for the rest of the week is expected to fall on the US and Canadian dollar markets, where sentiment has benefited from the poor performance of most European bond markets following last week's rejection of the Maastricht treaty by Denmark. Among European markets, the D-Mark and Swiss franc sectors are looking in good shape.

Ontario Hydro's global bond offering, arranged by Merrill Lynch, Goldman Sachs, Nomura and Wood Gundy, is likely to be launched later today. The underwriting syndicate was assembled yesterday, and the maturity of the transaction was set at 10 years. Initial soundings of investors point to a size of more than $2bn, according to banks close to the transaction.

The offering may be added to Ontario's existing 10-year global bonds, or structured as a separate deal. In either case, the launch spread over the Canadian government yield curve is expected to be close to the 68 basis point spread quoted yesterday on Ontario-Hydro's outstanding 8⅝ per cent global bonds due 2002.

In the dollar sector, the Asian Development Bank has mandated Goldman Sachs to arrange a $500m 10-year deal. The bonds, which are expected to be launched in the next week or so, are likely to be priced to yield 30 to 32 basis points above the 10-year US Treasury, according to dealers. Such a level is comparable with the current spreads of deals for Japan's Export-Import Bank and Japan Finance Corporation for Municipal Enterprises (JFM). Goldman declined to comment on the timing and pricing of the transaction.

Despite the absence of continental European investors, the decline of Ecu bond prices continued. The French government's 10-year Ecu OAT fell ⅜ point to close at 96.80.

● Bonds issued by Statni Banka, the Czechoslovakian central bank, wavered slightly in the secondary market following gains made by Slovakian nationalists in elections, writes Simon London.

The result was seen as increasing the chances of a split between the Czech and Slovak republics or the development of a looser federation.

Statni Banka bonds were yesterday quoted at a yield spread of 300 basis points over US Treasuries, from 285 basis points before the elections. However, Nomura International, which lead-managed the $200m issue in November last year, reported very little selling.

The covenants of the issue make it an event of default if Statni Banca ceases to be the central bank of either republic.

● REPSOL, the Spanish oil, gas and chemicals group, has again extended its convertible bond issue. Initially set at Pta25bn, it was first extended to Pta50bn and is now going up to Pta80bn, writes Tom Burns in Madrid.

The bonds were priced at Pta10,000 and investors were limited to buying a maximum of 800 for Pta8m.

Bondholders can convert into shares in late September. Should they do so, the state's shareholding in Repsol will be reduced, at current share prices, by some 10 per cent to around 54 per cent.

Repsol is also planning to make an international placement of shares for institutional investors after the September bond conversion.

First fund authorised by SFC launched in HK

By Tracy Corrigan

CREDIT Lyonnais Rouse, the futures arm of the French bank, has launched the first fund in Hong Kong authorised by the colony's Securities and Futures Commission.

A second fund, from ED & F Mann, the futures fund specialist, has also been authorised.

The strong appetite for speculative investments in Hong Kong has fostered hopes that futures funds may find an enthusiastic investor base. The official authorisation means the funds can be marketed directly to Hong Kong residents.

The SFC last month published detailed guidelines, containing both disclosure and structural regulatory requirements, for futures funds seeking authorisation.

"In Hong Kong, there does appear to be a demand for investment products that might involve a high degree of risk," commented Mr Robert Nottle, chairman of the SFC. "The SFC is of the view that it is preferable for such demand to be channelled into authorised funds that carry fund risk disclosure and other investor protection requirements than to be channelled into areas where there is no regulation."

The fund, CLR Select Futures Fund, has also been authorised in Luxembourg and Germany, and is being examined by the Australian authorities. Crédit Lyonnais Rouse already manages $24m in existing futures funds.

ED & F Mann's MAP II fund is managed using quantitative techniques; its predecessor, MAP I, raised $18m. Mann has a total of $1.1bn under management in futures funds.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	62	19
Other Fixed Interest	0	9	8
Commercial, Industrial	105	438	900
Financial & Property	43	240	513
Oil & Gas	9	16	61
Plantations	0	0	9
Mines	8	18	119
Others	14	30	84
Totals	179	813	1,713

LONDON RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest renunc. date	1992 High	1992 Low	Stock	Closing price p	+or-	Net div.	Times covered	Gross yield	P/E ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest renunc. date	1992 High	1992 Low	Stock	Closing price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest renunc. date	1992 High	1992 Low	Stock	Closing price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX; EURO FT-SE: [illegible]

TRADITIONAL OPTIONS

● First Dealings June 8
● Last Dealings June 19
● Last Declarations Sept. 3
● For settlement Sept. 14

3-month call rate indications are also shown on this page.

Calls in Aviva Petroleum, Blenec Inds., BTR warrants '92/94, Merchant Retail, Premier Cons., Ransomes, Royal Insce., Saatchi & Saatchi and TSB. Puts in Speyhawk. Puts and calls in Premier Cons and Ransomes.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p								
Allied-Lyons	40	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	5½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Tusker Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	PROPERTY		RTZ	47
Brit Aerospace	25	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
Brit Telecom	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	35	ICI	95	Reed Intl	44	Mountleigh	1½		
Charter Cons.	37	Ladbroke	18	Sears	8½	OILS			

3i cuts its involvement in US venture market

By Charles Batchelor

3I, the venture capital group which is preparing for a stock market flotation later this year, has withdrawn from active involvement in the US venture capital market because of poor returns.

The company, which is the largest venture capital company in the UK, has stopped making later-stage investments in the US. It will provide follow-on finance to the 40 companies in its $70m (£38m) US portfolio but will not make any new investments.

The move follows the announcement in the middle of 1991 of its decision to spin off 3i Ventures, its US start-up and seed-capital investment company.

3i transferred its early-stage portfolio to Aspen Venture Partners, a new venture management company in which it was sole general partner.

3i said then that it would provide extra funds to Aspen Ventures to allow it to make follow-on investments taking the total capitalisation of the portfolio to $150m, made up of investments in about 80 companies.

"We won't lose money over there but the returns won't be as good as we would have wished," said Mr Neil Cross, managing director of international investments. "We did not have a huge business in the US but the recession went on and on.

"The decision to de-emphasise the US was part of the continuing process of looking at all our activities."

3i had not made a secret of its decision, said Mr Cross. Its 1991 annual report said it planned to limit the resources provided to US investment capital and reduce its involvement in the early-stage, high-technology market. But the scale of its withdrawal from the US market has not been widely appreciated in the UK.

3i has always emphasised the international nature of its activities and two years ago formed a joint venture with Industrial Bank of Japan to provide funds to small and medium-sized Japanese companies.

The Japanese project is still at an early stage but is going well, Mr Cross said. It has made investments in 60 companies.

The emphasis of 3i's overseas activities is now in continental Europe. It has operations in France, Germany, Spain, Italy, and, through associate companies, in the Netherlands and Portugal.

New US investments amounted to £28m in the year ended March 1991. All overseas investments were £93m out of total new investments of £382m.

WPP faces shareholder revolt over refinancing

By Gary Mead, Marketing Correspondent

THERE WERE signs yesterday that WPP, the marketing services group, faces an uphill struggle to persuade holders of convertible preference shares to accept the refinancing proposal announced on May 13.

County NatWest, which is acting for UK institutions holding some of the 213m convertible shares, claimed that more than 38 per cent of convertible holders opposed one of the proposal's key elements, concerning the compulsory conversion to ordinary shares. County Natwest said that other institutions were also likely to oppose the scheme.

Under the proposal, convertible holders would be required to convert to ordinary shares at a ratio of 0.588 – about four times the existing terms. However, in recent months securities dealers have increased trading in the convertible shares, giving the market prices of the two shares an average conversion ratio of 0.46.

County NatWest said yesterday that some institutional shareholders are seeking a conversion rate closer to 1:1.

WPP said its proposed conversion rate was not negotiable. The group has other options if the proposal is rejected, including the formation of a new company, which would be listed in order to raise the £150m equity.

WPP is seeking an equity-debt exchange with its banks, under which the banks would subscribe to a £150m rights issue in exchange for some 25 per cent of the group's $1bn (£500m) debt.

The proposal is being considered by WPP's syndicate of 28 banks. WPP confirmed yesterday that the Bank of New York and ASLK, the Belgian bank, are seeking to sell WPP debt, at a discount, to secondary traders. BNY hopes that WPP will approve re-assigning its debt, of some $85m, to Goldman Sachs and others. However, this could jeopardise the proposal's acceptance with the rest of the syndicate.

Yesterday, National Westminster, which owns County NatWest, stated to the Stock Exchange that at close of trading on June 2, it held, via County NatWest, more than 17m WPP convertible shares, giving it 8.3 per cent of voting rights. The statement came after WPP had instituted a search of its share register.

Coal deal provides spark for results

Juliet Sychrava on expectations as the electricity companies report

IT IS a hard world when a 40 per cent increase in your pre-tax profits does not merit so much as a raised eyebrow.

But the electricity industry has resigned itself to the fact that its results season, starting today, will attract less interest than its negotiations with British Coal.

For the regional companies, which are due to announce pre-tax profits for the year to March 1992 up by an average of over 40 per cent, the diversion may come as something of a relief.

As it is, the increases are bound to attract some political attention. Mr Frank Dobson, the shadow energy secretary, is always quick to condemn the privatised companies for rewarding investors not customers.

He has already pounced on the 15 per cent increase announced by Scottish Power last month, which he believes conceals a higher growth rate if exceptional items last year are discounted.

The regional companies' dividend growth will also be high.

It is expected to average between 12 per cent and 13 per cent nominal and about 7 per cent in real terms, considerably higher than last year.

"I think there may be a worry that over-egging the pudding could bring regulatory attention and worries for investors, especially if some companies go even higher this year," said Mr Richard Leveritt, finance director at Eastern Electricity.

However, the electricity regulator has so far shown little sign of being concerned about dividend levels.

Meanwhile, the season begins with the two generators' results, which are not expected to be anything like as spectacular.

PowerGen's pre-tax profit should be up by about 25 per cent to 30 per cent at £340m-£350m, giving earnings per share of 29.5p to 30.5p, with a dividend up about 10 per cent at close to 9.2p.

National Power is likely to report pre-tax profits between £500m and £515m, for earnings per share of 28.8p to 31.5p and a dividend also up about 10 per cent to 9p.

Operationally, the main issue is likely to be costs. Both companies have cut manpower substantially – National Power now has 11,400 employees compared with 17,000 when it was floated.

But now that the row over whether the generators were manipulating the electricity pool or wholesale market has died down, attention is bound to return to the coal deal on the basis that it says far more about the electricity industry's future than last year's figures.

That is partly because the regional companies' dramatic profit growth is due to a technical blip.

The companies were unable to increase their prices enough in the year to March 1991, because of formulae put in place by the government at flotation which linked prices to inflation forecasts which turned out to be significantly too low.

They compensated in the year to March 1992 by sharp price increases, which are largely responsible for this year's profits.

Electricity sales have grown by only about 1 per cent on average, with far stronger growth in the south. And although the regional companies continued their cost cutting programmes, some, notably Eastern Electricity and Manweb, are expected to report losses in electricity supply, the low margin bulk purchase and sale of electricity.

This is partly because "uplift", the administrative charge they pay to the pool, increased sharply during the year.

It is concerns about this supply business, and the regulatory issues that surround it, that underlie the regional companies' concern about the coal deal.

The regional companies are the kingpin of the deal between British Coal and the electricity industry that the government needs before it can privatise British Coal.

Although it is the two generators who buy British Coal's product, they have to be able to sell it on as electricity to the 12 regional companies, who are at present unwilling to take it.

This is because they have been warned by the regulator, who protects customers, that they must supply power as economically as possible, or face penalties later. And in 1994 the regulator is due to review the basis of the regional companies' power purchases. At the moment, whatever they pay can be passed on to customers. But the signs are that after 1994 the regulator will not allow them to pass on costs which exceed an industry average or some other yardstick.

The regional companies are thus nervous about signing a large, long-term coal deal without a nod from the regulator.

And when there is no sign of any surprise in the core business, the extent to which the companies' long-term future is still overshadowed by regulatory issues is bound to attract more City attention.

When it comes to the generators, the importance of the coal deal issue is more simple.

"Once the contract is settled the performance of the generators will be more predictable," said Mr John Baker, chief executive of National Power. The contract is likely to cover about half the generators' income, for a period of up to five years.

AVERAGE OF ANALYSTS' FORECASTS

Company	Results due	Pre-tax profit (£m)	EPS (pence)	Total dividend (pence)
PowerGen	June 9	341	29.4	9.2
East Midlands	June 15	145.6	48.5	17.1
Norweb	June 16	128	48.8	17.7
National Power	June 16	510	28.4	9
Manweb	June 18	95.2	59	18.2
London	June 24	145.4	43.7	16.8
Southern	June 25	160	44	16.8
S Wales	June 25	72.2	49.6	19.2
Sweb	June 30	83	51.4	17.2
Midlands	July 1	128.6	48.7	17
Northern	July 2	96.8	59.2	18.5
Yorkshire	July 7	139.2	48.3	17.4
Seeboard	July 7	98	54.6	16.8
Eastern	July 8	138.2	37.8	16.2

EFM Japan launch to raise £20m

By John Authers

EDINBURGH FUND Managers is seeking between £15m and £20m from the launch of a Japanese investment trust.

EFM Japan will come to the market via an institutional placing and offer to intermediaries, and becomes the third geographical specialist investment trust to be launched this month, following trusts investing in Europe from Henderson and Thornton.

However, Europe appears to be popular with private investors at present, while Japan, following recent heavy falls in the Nikkei-Dow index, is less fashionable.

EFM has also bucked a recent trend for complex split-capital issues by opting for a conventional structure – there will only be ordinary shares, plus warrants issued on a 1-for-5 basis.

Mr Iain Watt, EFM managing director, said he was confident that the trust would not move to a discount to net asset value and pointed out that Japanese investment trusts managed by Baillie Gifford, Robert Fleming, and GT were all trading at premiums.

He said EFM was keen to add to its range of investment trusts, and already had two unit trusts investing in Japan – EFM Smaller Japanese Companies and EFM Tokyo – which were fourth and 54th respectively in the 60-strong sector of Japanese unit trusts over the five years to June 1, according to Finstat.

Mr Watt said the offer was aimed at institutions and private investors. He was confident there would be considerable interest. "Japan remains a dynamic economy with excellent recovery potential."

The ordinary shares of 25p will be issued at 100p while the warrants will be exercisable from 1993 to 2005 at that price. The trust will be open for subscription between June 15 and June 23. First dealings will be on June 30.

29% pay rise for Sainsbury's top director

By Maggie Urry

The remuneration of the highest paid director of J Sainsbury, the food retailer, increased by 29 per cent to £280,000 in the year to mid-March. The company would not comment on the identity of the recipient.

It said that there had been a number of retirements and appointments to the board over the year. The total remuneration for directors rose by about 16 per cent, less than the rise in profits and dividends. Pre-tax profits of £628m were 21 per cent higher. Dividends, at 8.75p, rose 20.4 per cent.

Sainsbury said it aimed to pay directors well in relation to their responsibilities but not to give vast increases or pay large bonuses as a result of small increases in profits.

Lord Sainsbury, the chairman, who retires in November, saw his remuneration rise from £189,090 to £221,000.

Henderson lifted to £17m despite 6% fall in funds

By John Authers

HENDERSON Administration, the fund management group, yesterday announced pre-tax profits of £17m for the 12 months to March 31, an increase of 7.3 per cent on the previous year.

This was achieved despite a 6 per cent fall in funds under its management. However, directors said that "the outflow has now slowed down", while the subsequent strong post-election performance of UK markets had provided a "useful boost" to funds under management.

They said the upswing in investor confidence following the general election would boost their business, and Henderson was considering further acquisitions and joint ventures to follow the establishment of Henderson Venture Managers, which manages unquoted investments, and its 25 per cent stake in Sabre, a futures manager.

Mr Jeremy Edwards, group managing director, said: "I do see us acquiring other fund management businesses if they would be a good fit with us and if the price is right."

Investment performance had improved slightly, despite the fall in the overall value of funds under management.

The company hopes to use this to bid for more pension fund management business, an area where it lost revenue following poor investment performance in 1987 and 1988.

Operating expenses were reduced slightly, from £23.9m to £23m, allowing a 40 per cent increase in operating profit from £7.23m to £10.1m.

A final dividend of 28.5p (27.5p) is recommended, to give a total of 41p, up from 37.5p the previous year.

Earnings per share were 54.3p, up from 49.7p.

Henderson's share price dropped on the news, falling from 760p to 745p.

David Brown moves ahead to £8.3m

David Brown Corporation, the specialist engineering group which was the subject of a £46m management buy-in, more than doubled pre-tax profits from £3.8m to £8.3m in the year to January 31.

Turnover was £80.9m (£77.5m).

EDP beats recession with 29% advance to £2.41m

By Alan Cane

ELECTRONIC DATA Processing, the expanding Milton Keynes-based computing services company, is reaping the benefit of its decision to focus on software at the expense of hardware with interim profits well up on City expectations.

Despite a near-14 per cent fall to £7.47m in revenues for the half year to March 31, profits before tax rose 29 per cent, from £1.87m to £2.41m.

EDP has emerged as one of a small band of computing services companies which has not only managed to raise sales and profits through the recession but seems set to continue its growth. Mr James Warhurst, analyst with Henry Cooke Lumsden, EDP's broker, anticipates profits of £5.2m this year and £6.2m next. Last year profits totalled £4.08m.

Earnings per share rose 28 per cent to 18.83p (14.69p) and an interim dividend of 2p (1.75p) is declared.

The company has cash balances of £11.3m and is actively seeking to acquire software companies with products compatible with its own range.

However, an agreement earlier this year to buy Applied Computer Systems, a Manchester-based private software house, has been abandoned. Mr Richard Jowitt, managing director, said he had been dissatisfied with the representation of ACS' assets.

EDP's principal products are the Mentor line of supermini computer systems and Merchant, a software product developed for the wholesale distribution industry. Services revenues, representing maintenance contracts and software licence fees, were now more than £8m a year or more than 50 per cent of revenues.

Mr Jowitt said the company would later this year release a software product aimed at environmental management which he expected to make a considerable contribution to revenues and profits.

Trading conditions remained depressed, he added, but he expected to maintain a healthy position in the second half.

Liberty board contests Concerto Capital plans

By Peter Pearse

THE BOARD of Liberty has thrown its unanimous weight against the proposals of Concerto Capital Corporation, the vehicle of South Africa's Myerson family, to change the fashion retailer's share structure – "to enfranchise every shareholder", in the words of Mr Brian Myerson.

In a circular ahead of the extraordinary meeting on June 26 requisitioned by Mr Myerson, Liberty directors said Concerto's proposals would not enhance the marketability of Liberty shares. They reminded shareholders that the ordinary shares had outperformed the FT-A Stores index by 147 per cent and the FT-A All-Share index by 131 per cent since Mr Harry Weblin became chairman in August 1984.

In the same period earnings per share and dividends had grown by an average compound rate of about 20 per cent per year. Mr John Pugh, finance director, said the board "was confident of support".

Mr Myerson said Concerto would be issuing a rebuttal of the company's points. He contended that the figures were misleading because of the rise in the share price since Concerto bought its 15.03 per cent stake of the voting shares from the Merchant Navy Officers Pension Fund. He also said that, if taken over a five year period, dividend cover had declined from 5 to 2.9 times and earnings per share had fallen from 21p to 20.77p. The circular "fudged the enfranchisement issue," he claimed.

Currently the "inner" Stewart-Liberty family has 35 per cent of the voting rights and the "wider" Blackmore and Moffatt families between 15 and 20 per cent. Liberty's share structure is 70 per cent voting and 30 per cent non-voting.

Mr Myerson's proposals include the sub-division of the non-voting shares with half given voting rights. Ordinary shareholders would be compensated by a 1-for-2 scrip issue. Liberty said that this creation of three different classes of shares would lead to a reduction in investment interest.

A question of management achievement

Strength of leadership is central to the future of Dowty, reports **Richard Gourlay**

IT IS the witching hour for Mr Bruce Ralph, chief executive of Dowty, the ailing aircraft landing gear and information technology group.

By 1 o'clock tomorrow shareholders will have decided whether to reject the hostile £510.8m bid from TI Group or to give Mr Ralph another chance to turn the company around.

If they accept the offer, Dowty will join Hawker Siddeley on a growing list of famous British engineering names swallowed by acquisitive conglomerates.

TI, for its part, will join the FT-SE 100 index, becoming the UK's second-largest engineering group behind British Aerospace, and the sleepy atmosphere that some argue has settled over Cheltenham's largest company would be rudely blown away.

As tomorrow's deadline approaches it seems that TI is heading for victory, even though institutional shareholders are not convinced the price is a knockout blow.

Mr Christopher Lewinton, TI chairman, could not have struck at a worse time for Dowty, struggling as it was to restructure a recession-hit aerospace business.

Not only was Dowty forced to report dreadful interim figures last year when it was already one of the most frequently tipped takeover targets. The company also failed to spend enough time preventing analysts from further downgrading their full-year forecasts earlier this year.

When, during the bid, Dowty reported full-year profits of £29m, some 40 per cent above expectations, the City was reluctant to accept the figures or the company's claims about recovery.

With the bid coming only two months into its financial year, Dowty has also effectively been prevented from issuing a profits forecast for this year, a weapon which target companies consider one of their most effective defences.

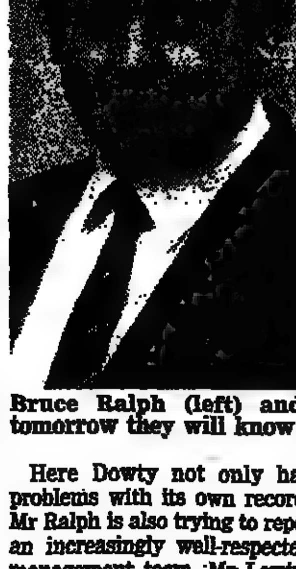
Almost certainly Dowty will enjoy a substantial profits recovery this year, not only because of higher anticipated orders for aircraft and spares. In the year since Mr Ralph took over, Dowty has slashed costs, reducing the workforce in the aerospace division by 27 per cent and cutting the wage bill by an estimated £50m.

Some of this will benefit Dowty this year. But the company, its advisers Lazards, and its brokers Cazenove, have not felt they can forecast the strength of the recovery this early in the year.

In the last week, Dowty was forced by the takeover panel to distance itself from whispers that it would make pre-tax profits of £50m this year, significantly higher than market expectations.

Had Dowty been sufficiently confident to make such a forecast, TI's 188.3p share offer and 175p cash alternative would have started to look less than generous. As it is, Dowty's shares yesterday closed at 176p, down 4p.

Price is not however the deciding factor in this bid. Dowty will maintain or lose its independence over the question of management.




Bruce Ralph (left) and Christopher Lewinton: by tomorrow they will know the shareholders' choice

Here Dowty not only has problems with its own record. Mr Ralph is also trying to repel an increasingly well-respected management team. Mr Lewinton may raise eyebrows in some corners of the City with his chunky executive compensation packages or some of his accounting practices, but shareholders do not argue with the way he has turned TI around.

In the six years since taking over at what used to be called Tube Investments, Mr Lewinton has transformed the bicycles and kettles company into an international sales and pipes business and has, until last year, consistently grown earnings per share.

Dowty by comparison, clearly has not given its shareholders earnings growth. While recession in aerospace has been partly to blame, the fatal blow may well prove to have been the ill-timed expansion of its Information Technology division under Mr Tony Thatcher, the previous chief executive.

Mr Ralph has recognised the mistake and Information Technology is up for sale – either by an independent Dowty or a victorious TI.

But try as he may, Mr Ralph has failed to distance himself entirely from responsibility for Dowty's expensive detour from engineering.

As a result Dowty has consistently found that a lack of management credibility over the longer-term future has been a difficult obstacle to overcome.

While institutions appear to like Mr Lewinton's record, they have not been as impressed in terms of aerospace industry logic by the prospect of a TI/Dowty marriage.

At best, analysts agree, Dowty's landing gear, propeller and avionics division and its polymer engineering division would complement TI's aerospace engineering and John Crane sales businesses.

From TI's point of view, however, the acquisition of Dowty makes strikingly good sense. It would add a third business leg to Bundy International pipes and John Crane, each with sales of about £400m. And it would give TI critical mass internationally in the two areas, thereby reducing exposure to cyclical markets.

These markets are likely to recover this year but not perhaps enough to reverse last year's decline in earnings growth. Dowty, as one might expect, claims that TI actually needs another acquisition to resume earnings growth as there is evidence of only a meagre historic contribution from organic growth.

Mr Lewinton rejects this argument but admits the engineering industry will remain difficult. "It is going to be a long, steady, grinding climb," he says.

What Dowty's shareholders appear to have decided is that they would like Mr Lewinton and not Mr Ralph to lead that climb.

NEWS DIGEST

Sales fall cuts Acal to £2.8m

DECREASED SALES in the UK, France and Italy caused Acal, the USM-quoted electronics and industrial control equipment wholesaler, to turn in sharply reduced pre-tax profits, from £4.3m to £2.78m, for the year to March 31.

Total sales were down at £58.5m (£59.7m) and operating profits declined to £3.49m (£5.06m).

New business acquisitions contributed £3.2m to sales.

The purchase of the Waycom electronics components business had a negative impact on profit in the last quarter, but should contribute to profits next year following reorganisation.

Earnings per share came out at 14p (20.5p) and a final dividend of 3.9p is recommended, making an increased total of 5.85p (5.4p) for the year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acal § ....fin	3.9	Aug 3	3.6	5.85	5.4
BAA ....fin	8.75	Aug 4	7.75	14.5	13
Betterware ....fin	2.21	Oct 5	1.65*	3.08	2.925*
Cambridge Water ....fin	70	Sept 30	20	115	92‡
Chestf'ld Props ....fin	11.5	July 9	11.5	18.5	18.5
Electronic Data ....int	2	Aug 3	1.75	-	4.25
French (Thomas) ....int	1.45	Aug 28	1.45	-	3.825
Gartmore Scot ....int	2.8☆	-	-	-	-
GWR § ....int	3†	Sept 30	1	-	4
Henderson Admin ....fin	28.5	July 16	27.5	41	37.5
IFG § ....fin	1.05♦	July 31	1	1.05	1
Protean ....fin	2.15†	July 31	1.9	2.75	2.5
United Drug ....int	2.05♦	June 26	1.85	-	6.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For 15 months. ☆Third interim; makes 8.4p to date.

IFG makes £2.25m acquisition

IFG Group, the Dublin-based financial services concern, is paying £2.25m to First National Leisure Services for the First National Trustee Company, which provides trustee and administrative services to the leisure industry from its base in the Isle of Man.

IFG, traded on the USM, reported pre-tax profits for the 1991 year down from I£1.6m to I£1.09m (£997,000). Turnover was higher at I£4.85m (I£3.33m).

The consideration will be satisfied by £1m cash and the issue of redeemable preference shares in IFG Ventures, an Isle of Man offshoot. To part fund the cash element 2m shares have been conditionally placed to raise I£440,000.

In addition IFG is issuing a warrant for 1.5m shares exercisable in five years at 30p a share to FNLS.

The profit was struck after an exceptional charge of I£237,000 and was said to be satisfactory in the difficult market conditions. Earnings per share were 3p (4.82p) and an increased single final dividend of 1.05p (1p) is proposed.

United Drug moves ahead to I£1.4m

United Drug, the Irish pharmaceuticals distributor which obtained a full listing on the London and Dublin stock exchanges in March, reported a 15 per cent advance in pre-tax profits, from I£1.22m to I£1.4m (£1.28m), for the half-year to March 31. Turnover advanced 21 per cent to I£36.4m.

Earnings per share rose to 7.61p (7.26p) basic and to 7.36p (6.57p) fully diluted. An interim dividend of 2.05p (1.85p) is declared.

Thomas French in £1.2m acquisition

Thomas French, the decorative accessories supplier, has bought British Trimmings' curtain tape making business for a maximum £1.2m cash.

The company also announced interim pre-tax profits of £299,000, against £329,000.

The acquisition achieved unaudited gross profits of £695,000 on turnover of £2.09m in the year to February 29. The consideration was satisfied by an initial payment of £1.1m and a further maximum £100,000 depending on stock valuation and cost cuts.

Sales for the six months to March 31 fell from £7.12m to £6.38m reflecting the recession and the impact of discontinued businesses. However, Mr Jeremy French, chairman, said that margins were maintained.

Earnings per share came out at 1.47p (1.63p); the interim dividend is held at 1.45p.

Betterware cleans up with 75% improvement

By Jane Fuller

BETTERWARE's advance on the doorsteps of the UK continued unabated last year as the household goods company increased pre-tax profit by 75 per cent.

The figure rose from £4.02m to £7.04m, on sales up 44 per cent to £41.7m, in the year to February 29. The £322,000 cost of buying in franchises was treated as an exceptional item.

Mr Andrew Cohen, chief executive, said growing sales had provided more opportunities to make economies of scale. For instance, the catalogue cost the same to print as it had five years ago, even though it had increased from 64 to 108 pages.

The group was continuing to improve its coverage of the UK market. "The right mix would be to have one distributor for every 1,000 households. There are 21m households, so there should be 21,000 distributors. At the moment we have 7,000."

In general, direct sales showed strong growth as a shopping medium in the UK, where the average annual spend on this form of shopping was only £32 per household. This compared with £48 in France, £88 in Germany, £93 in the US and £250 in Japan.

Andrew Cohen: seeking to expand UK coverage

Betterware launched a French operation last September at a cost of £250,000. Sales were increasing, but it was not expected to contribute to profit until next year.

Earnings per share rose to 12.2p (7p). A final dividend of 2.21p makes a total of 3.06p (2.325p). A 3-for-2 scrip issue is proposed.

COMMENT

Betterware's system of delivering its expanding catalogue to more homes every year is some way short of saturation in the UK. And the more sales it gets, the better the deals it can do – especially during a recession – with the printers of the catalogue and the makers of the goods. High unemployment has also made it easier to recruit "distributors" – the army of self-employed people who do the door-to-door runs. The only capacity constraint to emerge has been in the warehouse and £9m will be invested over two years on a new one near Birmingham which will more than double annual capital spending. Questions for the future include the potential for overseas growth. France should break even this year, but it will be some time before it becomes clear whether this operation has taken off. Meanwhile, decisions will be made on whether to go into Italy, Germany or Spain. Pre-tax profit is expected to grow by at least 40 per cent this year to more than £10m. This gives a prospective p/e of more than 19 on yesterday's close of 336p. The share price has shot up from 54p two years ago and 133p last June, but the stock is still worth holding. The scrip issue and any reduction of the Cohen family's 60 per cent stake should improve liquidity.

Hotfoot it down to the £85m airport mall

Paul Betts investigates BAA's plan to earn more from retailing than airport charges

BAA, the former British Airports Authority, is gradually transforming itself into a giant shopping emporium.

Sir John Egan, chief executive, sees in retailing one of the most promising growth opportunities for his company's airports. About £85m has already been earmarked for retail expansion at BAA airports over the next four years.

And although traditional airport operations including take-off and landing fees and other airline related charges now make the biggest single contribution to BAA revenues, Sir John expects retailing to grow steadily in importance.

"By 1993-94 BAA will earn more from retailing operations than from actual aeronautical charges," he forecast.

Aeronautical charges last year accounted for £363.2m of BAA's total £909.3m revenues, whereas income from commercial operations amounted to £277m. This included £137.7m from duty and tax free shops and an additional £25.2m from book stores and other specialist airport shops as well as income from a host of other commercial services.

During the last eight months, BAA has opened 27 new retailing outlets at its airports and by the end of this year the total is expected to rise to 90 new outlets. "By 1996, we will have increased floorspace by over 400,000 sq ft at our airports, virtually double the 1991 level."

Intensive market research by BAA and airlines indicates that passengers like to shop at airports, said Sir John.

"This is borne out by the fact that even during the recession when high street retailers felt the pinch, we were able to increase the spend per passenger."

Shoes are one of the consumer items in biggest demand at BAA airports. The Bally shoe shop in Heathrow's Terminal 3 will achieve a turnover of more than £3m this year, selling more per sq ft than any other shoe store in the UK.

BAA sees significant opportunities for further growth in retail sales at its airports not only from new passengers but also from existing users who currently do not buy at airport shops: only 32 per cent of the 72m passengers who used BAA airports last year shopped at BAA stores. Sir John also believes his company can substantially increase the current £6 average spend per passenger at its airports.

Higher income from retailing operations will help to offset expected reductions in traditional aeronautical charges as a result of the Civil Aviation Authority's new pricing regime governing traffic charges at BAA's London area airports.

Tony Andrews

Sir John Egan (left) and Mr Brian Smith, chairman: a giant retail emporium

The new five year regime limits BAA London airport traffic charges – which include those levied at Heathrow, Gatwick and Stansted – on a formula of retail price inflation (RPI) minus eight for both this year and next year, RPI minus four the following year and RPI minus one for the two subsequent years.

Sir John said the formula would lead to a reduction in income from airport charges of £25m this year rising to £50m next year.

This would also make the charges at BAA airports among the lowest in the world – and they are already at the bottom end of the European league, according to an annual review of charges at 40 leading international airports published yesterday.

The study, prepared by the Travers Morgan Consulting group, shows that the five most expensive airports in terms of aeronautical charges are three in Germany (Berlin, Frankfurt and Munich), Tokyo and Vancouver.

Heathrow and Gatwick featured in the lower half of the index, coming in at 21 and 27 respectively.

Chesterfield Properties shows 48% fall to £6.7m

PRE-TAX PROFITS of Chesterfield Properties fell by 48 per cent, from £12.78m to £6.7m, in the year to end-December.

The company attributed the decline to the ending of capitalisation of interest charges on the completed Five Acre Square and Rochdale developments.

Turnover rose from £35.3m to £38.6m and comprised £33.9m (£27.9m) from rental income, £30,000 (£1.9m) from property dealing and £4.62m (£5.45m) from cinema, theatre and other activities.

The annual revaluation of the group's investment portfolio showed a deficit of £91.6m. This included a further provision against Chestergate House, a development property.

The net asset value per ordinary share fell by 47 per cent from 1,017p to 534p, or by 41 per cent from 965p to 572p fully diluted.

Mr Roger Wingate, chairman, said the principal cause was the collapse of rental values in central London. The group's West End portfolio fell by 25 per cent, and the City and Southwark properties by 37 per cent.

In the case of the City, this was aggravated by the continuing 45 per cent vacancy at Five Acre Square. Provincial properties performed better, he said, the downward movement being 3.5 per cent for shops and 2.5 per cent for offices.

The interest charge (including capitalised interest) showed a slight fall from £26m to £25.3m. Profits after tax and minorities showed a modest rise from £3.7m to £3.9m, mainly as a result of a lower tax charge.

Earnings per share came out at 12p (10.83p) or 17.17p (16.24p) fully diluted.

The final dividend is maintained at 11.5p for a same-again total of 18.5p.

New management takes over at Young Group

By Chris Tighe

NEW SENIOR management of Young Group officially takes charge of the coal mining company following its annual meeting today, clearing the way for the business to be refocused on its core activities, identified as opencast and underground coal mining and haulage, with an eye to opportunities likely to arise in British Coal's privatisation.

Mr Joseph Stevenson, recently appointed non-executive chairman-elect and Mr Brian Calver, group managing director-elect, have started a review aimed at overcoming working capital problems which led to the recent financial restructuring, but have declined to state which non-core activities might be sold.

The review has a "certain urgency", said Mr Stevenson, as Young wants to exploit privatisation opportunities.

After today's meeting Mr Bob Young, a miner's son, will cease to be chairman and chief executive of the Durham-based company he founded in 1970. His departure from the chair was agreed in April as part of a restructuring which gave the group an additional £2.4m overdraft facility.

He will become non-executive vice chairman, advising on marketing strategy.

Acquisitions help Protean advance 55% to £2.03m

By Angus Foster

PROTEAN, the water purification and laboratory equipment maker formerly Elga Group, yesterday displayed the fruits of recent acquisitions with steep rises in profits and turnover for the year to March 31.

Pre-tax profits increased 55 per cent from £1.31m to £2.03m. A final dividend of 2.15p is proposed for a total of 2.75p (2.5p).

Mr Peter Ryan, chairman, said last year was one of great achievement. Although profits were boosted by a first full-year contribution from Chromacol, acquired in February 1991, all companies traded profitably despite pressure on margins caused by the recession.

Two other acquisitions had less impact, coming towards the end of the reporting period. Aquadem, the Paris-based water purification components supplier was acquired in December. The purchase of Carbolite, a maker of laboratory furnaces, was not completed until March.

Turnover rose to £22.7m (£16.5m), in line with the interim figures, when sales were 37 per cent ahead at £9.6m (£7m) and pre-tax profits increased 52 per cent to £462,000. Earnings were affected by a higher tax charge and rose to 8.29p (8.05p).

Cost control gives lift to GWR

Steady sales growth and control of costs helped GWR Group, the independent radio contractor, boost interim profits to £253,984 pre-tax.

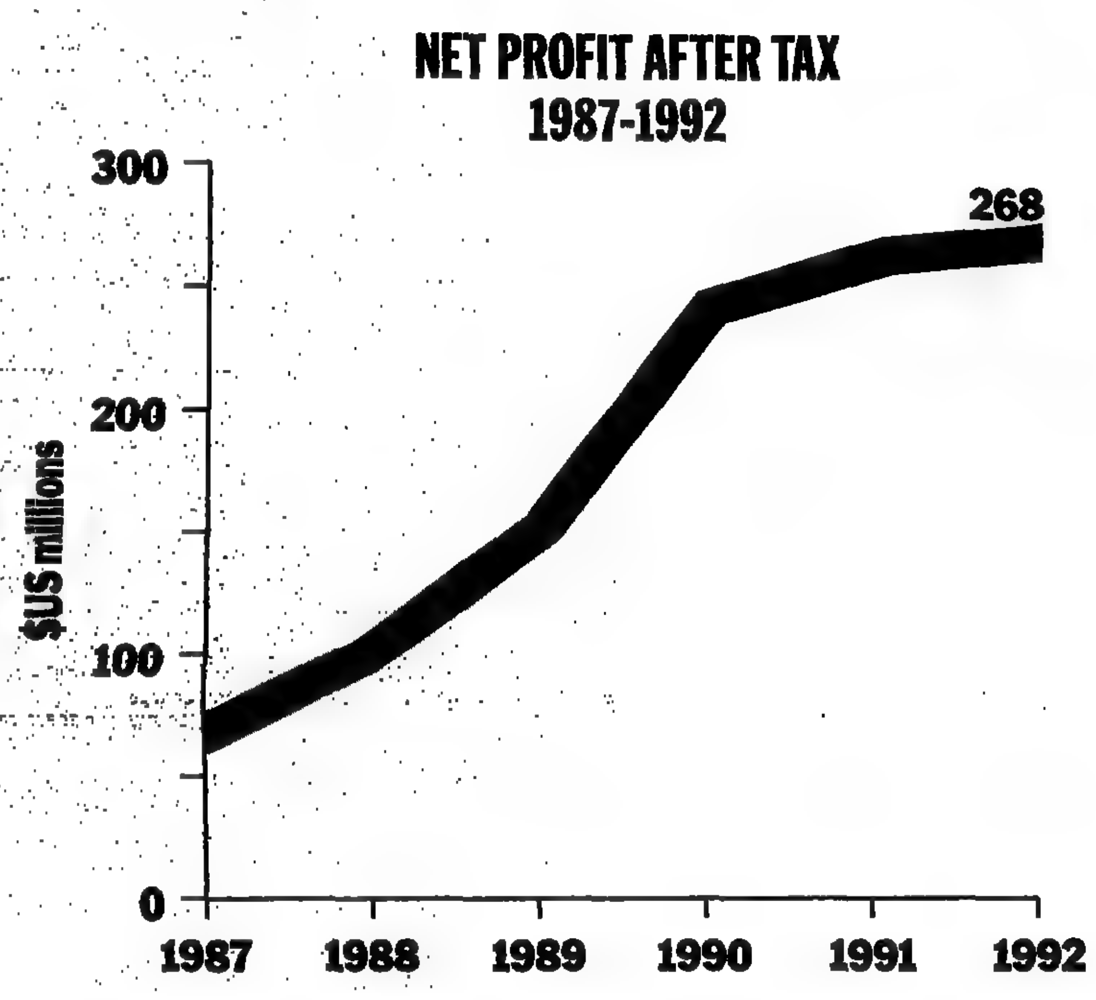
The outcome of this USM-quoted group for the six months to end-March compared with just £32,509 last time and was achieved on turnover marginally ahead at £3.46m (£3.36m).

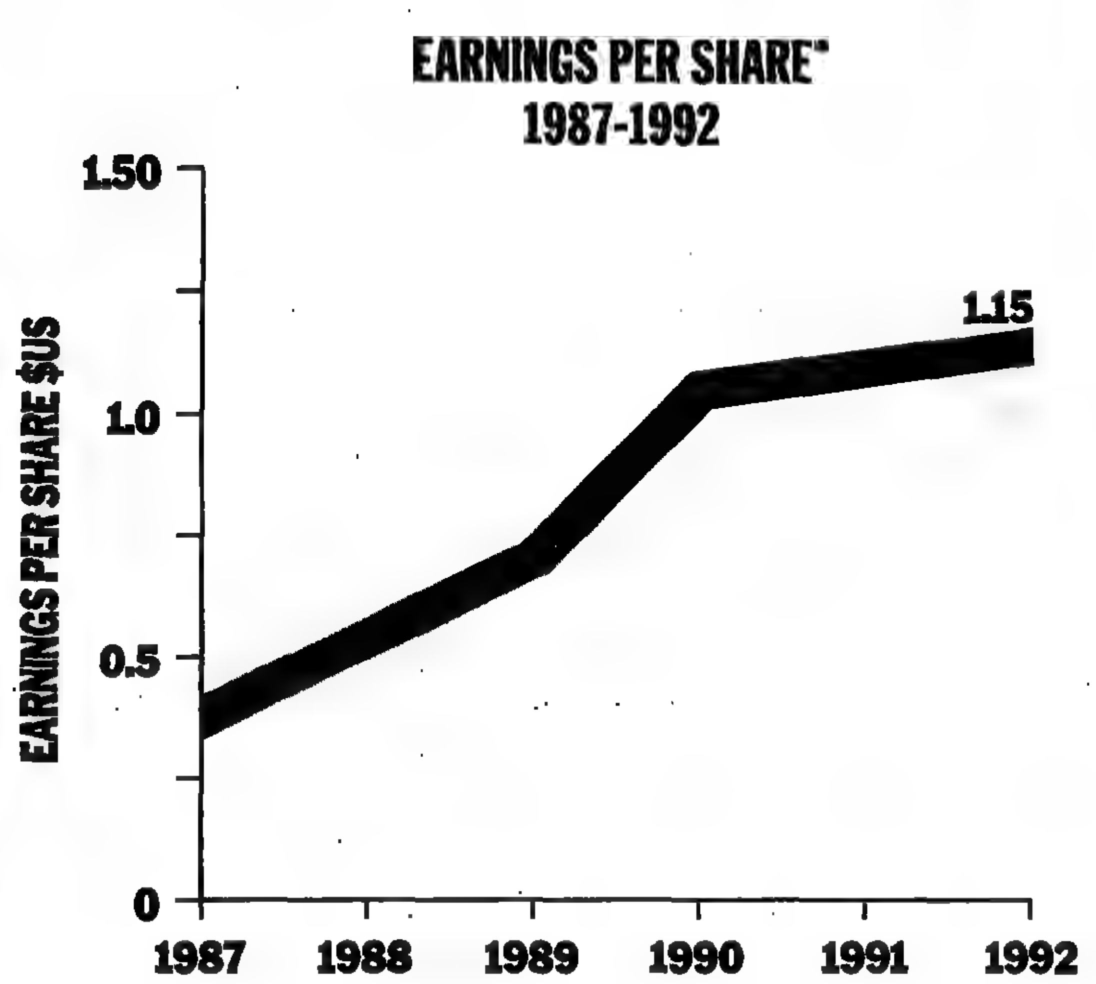
National and local advertising improved 15 per cent and 12 per cent respectively over the previous, albeit depressed, half year reflecting, according to Mr Henry Meakin, chairman, listening figures ahead by 15.8 per cent.

Despite acquiring a 17 per cent stake in Classic FM, the first national commercial classical music station which is due to be launched in the autumn, and stakes in Minster Sound in York and Spire FM in Salisbury for a total consideration in excess of £1m, gearing remains low at 15 per cent.

The interim dividend jumps from 1p to 3p, payable from earnings of 5.7p (0.7p) per share.

$268M NET PROFIT AN UNBROKEN RECORD OF GROWTH





GPA Group plc has continued to reach new heights. Air traffic is recovering well from the severely depressed market experienced during the Gulf conflict.

In the year to March 31st, 1992, we recorded year on year growth in net profit after tax to $268 million. Revenues rose to $2,010 million, while earnings per share rose to $1.15* and shareholders funds reached $1,230 million.

During this period, GPA delivered 164 aircraft, an increase of 39%. We now have over 100 leasing customers in 49 countries, including a number of new markets developed last year. At the same time, our aircraft leasing portfolio grew by 33% to 409 aircraft.

As of March 31st, 1992, 90% of the Group's owned jet aircraft fleet by book value consisted of Stage 3 aircraft. The weighted average age of the Group's owned fleet by book value improved to 3.8 years.

GPA continued its successful programme of selling aircraft and related financial products to investors. During the year, GPA sold 30 aircraft to airlines and investors world-wide and concluded a series of aircraft related financial product transactions involving 22 aircraft for a total of $1.1 billion.

At the same time, GPA has continued its programme of long-term investment in aviation technical support services, benefiting from the opportunities created by the scale of GPA's operations.

GPA believes the prospects for the future are equally bright. With air travel forecast to grow at 5% to 6% a year, industry analysts estimate that by 2010 about 11,500 new aircraft (worth $850 billion) will be needed to meet this growth and to replace ageing aircraft.

Founded in 1975, GPA is the world's largest operating lessor of modern (post 1985) commercial aircraft with a global customer base and diversified portfolio of modern aircraft. GPA is an important link between airlines and other investors in aircraft.

The civil aviation industry is growing. And GPA is well positioned to grow with it – globally.

GPA Group plc

WINGS FOR THE WORLD

COMMODITIES AND AGRICULTURE

Peru attempts to give mine sector a 'competitive edge'

By Sally Bowen in Lima

A NEW Peruvian mining law aims to attract much-needed private investment into the country's deeply recessed mining sector. The supreme decree, published as a separate supplement to the official government gazette, liberalises mining activity in all respects and forms the legislative framework for all mining activity in Peru, one of the world's top mining countries.

In essence, the law draws together previously scattered legislative initiatives to curb the traditionally interventionist role of the Peruvian state and guarantee foreign investment.

Mr Demetrio Patsias, vice-minister for energy and mines, said the law was intended to "give Peru a competitive edge over our nearest neighbour, Chile."

One new incentive concerns the guaranteeing of tax stability for investors starting up operations yielding between 350 and 5,000 tonnes a day, or involving investment of at least $2m. They will be able to sign 10-year tax stability contracts with the Peruvian state, shielding them from any taxes the government may create in the future.

The tax "drawback" system to allow recovery of taxes paid to the Peruvian state is extended to all exporters. It previously applied to Peruvian silver producers only.

In another change long demanded by the sector, mining companies will now be liable for taxes only on profits rather than total sales.

The Peruvian state has traditionally viewed mining as a "milch cow" and taxation has been swallowing up as much as 20 per cent of all revenue from sales – with the result that only four companies in all Peru turned in profits last year.

The minimum area for a mining concession has been reduced to 100 hectares (240 acres) and concessions will be granted in multiples of this minimum unit. Administrative procedures are also streamlined. Joint ventures are permissible under the new law in any and all areas of mining activity.

Existing legislation guarantees foreign investors freedom to remit profits and dividends without any restriction or prior authorisation. Foreign exchange is guaranteed and mining exporters are entitled to the best available rate.

The new law appears to be intended as a timely forerunner to an avalanche of state sell-offs scheduled for coming months. The government has committed itself to privatising all its vast but under-developed mining wealth.

New legal dispositions defining exactly how debt papers may be used in coming privatisations are expected within days.

Chilean copper producers braced for fresh storms

By Leslie Crawford in Santiago

THE WORLD'S two biggest copper mines, located in Chile's Atacama desert, were bracing themselves for a further spell of bad weather and possible production losses yesterday as storms that lashed central Chile at the weekend moved north.

The warming of the cold Humbolt current off Chile's Pacific coast has provoked violent storms in the centre and south of the country and brought rainfall to the Atacama – which is reputed to be the driest desert in the world. The storms have closed Valparaiso, Chile's biggest port, and left 18,000 people homeless.

At Chuquicamata, the world's biggest open-pit mine, an official said that three hours of rain last Thursday had caused a slow-down in operations. He denied, however, that mining had come to a halt, as certain news reports suggested.

Chuquicamata, owned by the state copper corporation Codelco, produces about 6 per cent of the world's copper – 641,429 tonnes last year. Reports of the alleged shutdown lifted copper prices last Friday.

Managers at La Escondida, the second-biggest copper mine in the Atacama desert, said that snow and strong winds had forced miners to adopt extra precautions but that production had not been affected last week. La Escondida, owned by BHP of Australia, RTZ of the UK and a group of Japanese smelting companies, produces the equivalent of 320,000 tonnes a year of refined copper in the form of concentrates.

Flaring illuminates the night sky over Canada's first commercially-producing offshore oilfield, 250km south-east of Halifax, Nova Scotia.

Lasmo Nova Scotia, a subsidiary of the UK oil exploration company Lasmo, this week commenced production at the Cohasset development, representing an important milestone in the 30-year quest to establish commercial production from Canada's substantial offshore fields.

The C$260m (£119m) Cohasset development comprises two offshore fields, Cohasset and Panuke, with estimated recoverable reserves of about 50m barrels of light crude.

Only the Panuke field is currently producing, but development drilling on Cohasset will commence next year, bringing production to around 40,000 barrels a day for the next six years. A third field, Balmoral, 3 km (2 miles) north of the existing facilities, will later be tied into Cohasset by a subsea pipeline.

IEA sees more signs of rising oil demand

Neil Buckley

FURTHER SIGNS of an upturn in oil demand are highlighted in this month's report from the International Energy Agency, the west's energy monitoring body, which predicts a 1.5 per cent rise in second-quarter demand among members of the Organisation for Economic Co-operation and Development.

This follows a 1.8 per cent rise in the first quarter, and the estimate has been revised upwards after unexpectedly strong US demand in April. The IEA has raised its US second-quarter consumption growth figure to 2.5 per cent.

This is expected to help OECD consumption grow to 37.4m barrels a day, although demand is likely to remain unchanged in Europe and the Pacific.

Growing expectations of a tight market in the third quarter have already seen oil prices gain more than $1.50 a barrel since the decision by the Organisation of Petroleum Exporting Countries last month to leave its output ceiling unchanged. Brent crude for July delivery last week breached the $21-a-barrel barrier for the first time in seven months. It closed yesterday at $21.07½, down 17½ cents.

In spite of Opec's agreed ceiling of 22.98m barrels a day, IEA estimates its real production as 23.5m b/d in May, in line with a survey by the Reuter news agency last week. However, a report from the magazine Petroleum Intelligence Weekly puts Opec output at 23.81m b/d in May, with increased production from Kuwait, Saudi Arabia and Venezuela, although much of the increase was earmarked for storage.

Production in the former Soviet Union continued to decline, the IEA says, by around 12 per cent year-on-year, averaging around 9.4m b/d in April, down from 9.5m b/d in March. The decline was most severe in the Russian republic. But exports recovered in April and early May.

The IEA says total OECD demand for 1992 is likely to average 38.6m b/d, an increase of 1.5 per cent over 1991, with moderate growth in all regions. World oil demand is forecast to be 67.0m b/d, an increase of 0.6m b/d over 1991.

Market analysts at Kleinwort Benson, the London merchant bank and securities group, said the IEA's forecasts supported their view that the price of Brent crude was likely to average $20 for the year.

CAP yields heavy crop of confusion

Growers lack the information needed to plan for the coming season

FARMER'S VIEWPOINT

By David Richardson

AS EUROPEAN grain growers gather this week in Stoneleigh, Warwickshire, for the UK's annual practical demonstration at an event entitled Cereals 92, one topic will dominate their discussions: the incredibly confused implications of the reform package to change the nature of the European Community's common agricultural policy.

For although the May 21 agreement by the community's agriculture ministers may be old news for the collective Euromedia, which has long since transferred its attention to fall-out from the negative vote on the Maastrich agreement in the Danish referendum, the details of what exactly has been agreed on farm reform are still far from clear. Indeed about the only thing that is clear is that some of those details affecting UK farmers are still being worked out by European Commission and Whitehall officials and may not become available for some months.

Furthermore my inquiries have detected a distinct lack of urgency among some of the officials responsible, who seem to think there is plenty of time. In reality, however, farmers need to make crucial management and purchasing decisions within the next few days and weeks.

The primary purpose of the reform package is, of course, to reduce the production of cereals and other surplus commodities across the EC. In simple terms it will cut guaranteed prices by 30 per cent in stages over three years and compensate growers on the basis of average regional yields according to a graduated scale over the period. In order to qualify for the compensation, however, farmers will have to set-aside 15 per cent of their usual acreage of cereals, oil seeds, peas and beans, for which they will also be compensated.

In other words growers will have a choice; to set aside the required acreage and take the compensation or to attempt to grow and sell the crops in question at a profit, without benefit of compensation, even though the prices they will receive for them will be substantially reduced.

I am bound to say that I believe economics will almost certainly dictate that set-aside will normally be the most profitable policy. It may, however, pay some especially efficient UK farmers on the highest quality, most productive soils to reject EC compensation and to continue to farm all their land for high yields.

But they cannot make this calculation with accuracy because no decision has yet been taken on the actual levels of compensation that will be paid. All that is known is that it will rise to an average of £208 per hectare by 1996 and that for individual farms it will be based on historic average yields across specific regions of the EC, yet to be defined, and that the higher the average the greater will be the level of compensation.

In other words, those who have been in the habit of growing average or below average yields within whatever is eventually decided is their region will be fully or even over-compensated for their loss of income compared with the old system, whereas those who usually grew above average crops will be worse off.

For the purposes of approximate calculations most UK consultants have used a figure of 5.82 tonnes per hectare (2.35 tonnes per acre) which is the official average yield of wheat for England and assumes that the UK will be divided into four regions; England, Wales, Scotland and Northern Ireland. Some Ministry of Agriculture officials, however, have suggested that the UK may be divided into up to 14 regions.

Should that turn out to be the case the odds are that the compensation for a highly productive region like East Anglia would be increased, making set-aside there more attractive. Conversely lower yielding regions would receive less compensation.

There is so far no ruling, however, on the quality standards to be imposed on grain that will be accepted into intervention stores. Rumour has it that these standards may be made more stringent than in the past, thereby limiting the quantities that will qualify for intervention buying and by implication reducing the overall value of the new guaranteed price package.

It is not clear whether a farmer can opt to enter the new set-aside scheme whenever he wishes during the three-year transitional period or whether he must join from year one or not at all.

If participation from the start is required it may be necessary not to plant 15 per cent of winter wheat and winter barley in the coming autumn so that it is not there to be harvested in 1993. Seed for that which is to be planted will have to be ordered within the next few weeks, however, so it is vital for farmers and the supply trade that the information on which to make management decisions is made available.

There seems to be no definitive ruling as to whether the new set-aside should be rotational, in other words on different fields each year, or non-rotational, on the same land for a period of years. If it were allowed to be static farmers would of course select their worst land to leave uncropped every year. That would increase average yields harvested, but it would also limit the effects of set-aside on overall production.

Summaries of the reform package that I have seen clearly state that non-food crops may be grown on set-aside land. Does this mean a farmer can grow linseed for oil, which is used in the manufacture of paint, and claim an additional area payment for it under another unrelated EC scheme? I suspect not but it is yet another example of the confusion that characterises this reform package.

And I wonder how this complex production-reducing policy, which also includes dairy and beef cattle as well as sheep, will ever be effectively administered and policed across Europe. Only France within the EC, I understand, has an up-to-date register of land and knowledge of who owns what. In the UK farmers are required by the government to complete annual returns giving individual crop area details and stocking levels. That information must be on a Ministry of Agriculture computer somewhere.

Some EC member states, however, have no such information. How will they set about introducing such complicated legislation? How will their farmers respond to the mass of forms that they will be required to fill in to claim their compensation? How can British farmers be sure that other countries' governments will comply with the dictats of Brussels as assiduously as their own?

Having witnessed for myself recently that Italy has not yet introduced milk quotas eight years after they were supposed imposed across the EC I am somewhat cynical as I look forward to this latest rash of rules. Meanwhile, I have it on good authority that the British Ministry of Agriculture is recruiting people to police its farmers as fast as it is able.

Millers worried about supply of bread-making wheat

By David Blackwell

BRITISH MILLERS fear they could be forced to import substantial amounts of bread-making wheat following the reform of the European Community's common agricultural policy.

Simultaneously there is a danger that UK feed wheat exporters could lose the competitive advantage that has led to 4m tonnes of exports a year, according to the National Association of British and Irish Millers.

"We could be in the ludicrous position of UK millers importing bread making wheat while UK growers and merchants are unable to export feed wheat which has lost its competitive edge," said Mr John Murray, director general of Nabim, yesterday.

Bread-making wheat has declined to 20 per cent of the UK harvest. With a perfect harvest this almost meets the millers' requirements of about 3.2m tonnes. The attraction of growing UK bread-making wheat, which fetches a premium, has declined. Feed wheats give yields per hectare up to 15 per cent more than bread-making wheats but their guaranteed price in the intervention system is only 5 per cent lower.

Outside Britain, support has been effective at a common wheat level because the yield differential between bread-making and feed wheat is less and favourable climatic conditions for quality grain are more predictable. The UK market has been supported at the feed wheat level.

Nabim believes that following CAP reform, it is vital that intervention should be not be based on feed wheat alone – as many other parts of the UK cereal sector are arguing. If the EC goes for a feed-based support system there will be a strong incentive for farmers to go for high yield varieties, which will reduce the amount of UK bread making wheat grown while increasing the amount of feed wheat available for export. "The wrong intervention system poses a considerable risk on both sides of the equation," says Mr Murray.

WORLD COMMODITIES PRICES

MARKET REPORT

New York COTTON futures were sharply higher at midday on prospects of severe damage to the Texas crop caused by recent heavy rains. "The earlier cotton planted in Rio Grande Valley and central Texas is standing in water, and in the Lubbock area, a vast amount of the acreage has been damaged by the cool, wet weather that visited the state again over the weekend," an analyst said. "At this time it appears the severe damage will amount to more than a million acres." The rains are delaying the Texas WHEAT harvest, sparking concern over the crop's quality and helping to push prices higher in Chicago by midday. More rain is expected this week in the southern Plains. NICKEL rallied from earlier six-month lows on the LME in the afternoon but the market still closed down. The decline mostly reflected speculative selling, with sell stops hit below $7,200 a tonne for three month metal. Analysts see the market remaining under technical pressure, with $7,050 the key downside objective. The momentum of three month ALUMINIUM's move below $1,330 last week was continued, with sell stops triggered when prices breached $1,320.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.50-9.00	-0.20
Brent Blend (dated)	$21.10-1.20	-.175
Brent Blend (Jul)	$21.05-1.10	-.175
W.T.I (1 pm est)	$22.30-2.40y	-0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$237-239	
Gas Oil	$188-190	
Heavy Fuel Oil	$83-84	-1
Naphtha	$200-202	+5.5
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$338.75	
Silver (per troy oz)♣	405.0c	-1.5
Platinum (per troy oz)	$368.5	-4.5
Palladium (per troy oz)	$79.85	-0.15
Copper (US Producer)	108.15c	
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	15.91r	-0.03
Tin (New York)	298.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.04p	-0.54*
Sheep (live weight)†♠	97.06p	+6.96*
Pigs (live weight)†	84.28p	+2.65*
London daily sugar (raw)	$256.0t	-2
London daily sugar (white)	$300.5t	-2.5
Tate and Lyle export price	£249.0	-1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£149.0z	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	62.75p	
Rubber (Aug)♥	62.75p	
Rubber (KL RSS No 1 Jul)	221.5r	+1
Coconut oil (Philippines)§	$590.0t	
Palm Oil (Malaysian)§	$392.5y	
Copra (Philippines)§	$396	
Soyabeans (US)	£147.5z	-4.5
Cotton "A" index	62.10c	
Wooltops (64s Super)	418p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-Jul/Aug z-Jun q-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	228.80	226.00	230.00 226.00
Oct	216.00	215.00	218.00 213.40
Dec	204.00	205.00	202.40 202.40
Mar	207.80	207.00	206.20
White	**Close**	**Previous**	**High/Low**
Aug	292.40	292.50	292.50 290.50
Oct	272.50	272.50	272.50 271.00
Dec	272.00	271.00	271.50 270.80
May	279.50		277.20
Aug	284.50		283.30 282.20
Oct	276.00		273.30 273.20

Turnover: Raw 417 (991) lots of 50 tonnes. White 345 (739)
Paris- White (FFr per tonne): Aug 1601.75 Oct 1488.61

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jul	21.13	21.30	21.32 21.05
Aug	21.03	21.15	21.17 20.93
Sep	20.95	21.07	21.06 20.85
Oct	20.86	20.95	20.84 20.79
Nov	20.72	20.85	20.75 20.70
IPE Index	21.28	21.04	

Turnover 23858 (34587)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jun	188.25	188.50	190.50 186.50
Jul	189.50	189.75	191.00 187.50
Aug	191.50	191.25	192.50 189.75
Sep	193.75	193.25	194.50 191.75
Oct	195.50	195.50	196.00 193.75
Nov	197.25	197.25	198.75 195.50
Dec	198.25	198.25	199.00 196.75

Turnover 11243 (14788)lots of 100 tonnes

TEA

The market remained selective reports the Tea Broker's Association. Better liquoring East Africans attracted good competition with brightest Kenyas 5 to 10p dearer. Mediums, however, were often easier and prices for plain teas also showed a decline. Offshore improved demand in the cif section with brighter descriptions about steady and Zimbabwe offerings a strong feature. Fob teas from Mauritius met limited support. The highest price realised this week was 200p for a Rwanda. Quotations: quality 155p. medium good medium 138p. medium 100p. low medium 80p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	536	541	540 536
Sep	560	568	563 558
Dec	595	598	596 593
Mar	625	628	627 624
May	645	648	647 644
Jul	665	668	669 665
Sep	685	687	690 685

Turnover: 1365 (4573) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 5 683.28 (687.28) 10 day average for Jun 8 690.02 (691.55)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	708	709	708 702
Sep	731	730	730 725
Nov	752	750	763 746
Mar	785	785	778
May	799	796	800

Turnover:936 (1927) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 5: Comp. daily 48.87 (49.00) 15 day average 50.04 (50.06)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	87.8	90.5	88.5 87.0

Turnover 42 (34) lots of 20 tonnes.

SOYABEAN MEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	127.0	128.50	

Turnover 0 (15)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jun	1105	1091	1105 1095
Jul	1030	1025	1030 1030
Aug	1053	1040	1053 1045
Oct	1173	1169	1173 1170
BFI	1192	1203	

Turnover 35 (136)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	125.00	124.40	125.00 124.75
Jan	117.50	117.40	117.50
Barley	**Close**	**Previous**	**High/Low**
Sep	107.50	107.40	107.50

Turnover: Wheat 25 (91) , Barley 0 (52).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	119.5	119.5	119.5 119.4
Jul	112.0	111.5	112.0 111.5
Aug	104.6	104.5	105.0 104.5

Turnover33 (53) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 35,083 lots
Cash	1289-90	1302.5-3.5		1288-89		
3 months	1315-5.5	1328-9	1329/1311.5	1314.5-15	1311.5-12.5	188,067 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,586 lots
Cash	1232-33	1240-1	1241/1240	1240-41.5		
3 months	1253.5-54	1257.5-8	1261/1253	1259.5-60	1253-3.5	100,934 lots
Lead (£ per tonne)						Total daily turnover 4,918 lots
Cash	300-02	303-4		300-0.5		
3 months	310-11	315-4	315/10	310-10	310-11	15,183 lots
Nickel ($ per tonne)						Total daily turnover 7,347 lots
Cash	7095-100	7175-85	7070/7064	7062-64		
3 months	7180-85	7260-70	7260/7145	7145-60	7195-200	22,750 lots
Tin ($ per tonne)						Total daily turnover 1,780 lots
Cash	6405-15	6425-35		6410-20		
3 months	6450-60	6465-70	6475/6435	6455-60	6475-85	9,077 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,352 lots
Cash	1443-45	1444-6	1450	1449.5-50		
3 months	1254-55	1262-3	1262/1254	1256-57	1255-55	56,382 lots

LME Closing £/$ rate: SPOT: 1.8340 3 months: 1.8075 6 months: 1.7816 9 months: 1.7615

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.60-338.90	
Opening	338.50-338.90	
Morning fix	338.50	184.973
Afternoon fix	338.70	184.558
Day's high	338.90-339.20	
Day's low	338.20-338.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.50	6 months	3.43
2 months	3.47	12 months	3.58
3 months	3.46		

Silver fix	p/troy oz	US cts equiv
Spot	221.40	405.35
3 months	226.85	409.25
6 months	232.20	413.40
12 months	243.30	423.85

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	338.75-339.75	184.50-185.00
Maple leaf	349.50-350.50	190.50-191.00
New Sovereign	83.00-84.00	45.25-45.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	98	117	3	5
1300	16	45	18	31
1400	3	10	102	95
Copper (Grade A)	**Calls**		**Puts**	
2100	166	165	3	3
2200	68	78	5	13
2300	7	24	40	57
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	17	48	9	16
700	2	23	44	42
750		10	92	80
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
525	41	73	77	89
550	29	57	115	123
575	21	46	66	162
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
2050		78		28
2100	23	50	9	50
2150	5	34		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	338.2	338.7	338.9	338.1
Jul	339.0	339.6	0	0
Aug	340.1	340.7	341.0	340.0
Oct	342.0	342.6	343.0	342.0
Dec	344.1	344.7	344.9	344.0
Feb	346.4	347.0	347.0	347.0
Apr	348.7	349.3	0	0
Jun	351.1	351.7	0	0
Aug	353.8	354.4	354.0	354.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	368.7	369.3	369.5	364.5
Oct	373.0	374.1	374.4	372.0
Jan	371.3	372.9	373.0	372.0
Apr	371.1	372.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	404.1	405.1	404.5	404.5
Jul	404.8	405.8	406.5	403.0
Aug	406.6	407.6	0	0
Sep	407.9	408.8	409.5	406.5
Dec	412.5	413.5	414.0	411.0
Jan	414.2	416.2	0	0
Mar	417.7	418.7	419.0	419.0
May	421.3	422.3	0	0
Jul	425.0	426.0	0	0
Sep	429.3	430.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	103.90	104.35	104.25	103.65
Jul	103.85	104.20	104.10	103.40
Aug	103.75	104.05	104.00	103.70
Sep	103.65	103.90	104.00	103.30
Oct	103.55	103.75	103.75	103.70
Nov	103.45	103.75	103.65	103.65
Dec	103.35	103.75	103.75	103.20
Jan	103.05	103.50	103.50	103.00
Feb	102.75	103.20	103.20	103.20
Mar	102.45	102.90	102.90	102.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jul	22.44	22.62	22.48	22.30
Aug	22.42	22.55	22.43	22.26
Sep	22.28	22.38	22.28	22.13
Oct	22.16	22.26	22.18	22.00
Nov	22.04	22.13	22.03	21.89
Dec	21.92	22.00	21.95	21.79
Jan	21.78	21.86	21.75	21.67
Feb	21.64	21.70	21.61	21.57
Mar	21.51	21.56	21.43	21.45
Apr	21.38	21.42	21.32	21.32

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jul	6131	6185	6185	6110
Aug	6170	6220	6195	6155
Sep	6260	6320	6285	6250
Oct	6365	6410	6375	6340
Nov	6450	6495	6470	6430
Dec	6523	6571	6550	6505
Jan	6526	6581	6560	6520
Feb	6393	6441	6420	6415
Mar	6148	6196	6195	6190
Apr	5923	5971	5950	5940

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	856	855	861	848
Sep	899	900	906	895
Dec	954	955	959	950
Mar	1002	1008	1005	1001
May	1033	1034	1030	1030
Jul	1061	1061	0	0
Sep	1091	1091	0	0
Dec	1130	1130	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	61.60	61.55	61.85	61.10
Sep	63.60	63.75	63.90	63.35
Dec	66.60	66.75	66.80	66.45
Mar	69.50	69.50	69.60	69.40
May	73.70	73.65	73.75	73.40
Jul	76.45	75.90	0	0
Sep	77.85	78.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.15	10.23	10.30	10.10
Oct	9.60	9.60	9.60	9.48
Mar	9.40	9.37	9.44	9.31
May	9.31	9.30	9.32	9.25
Jul	9.24	9.21	9.26	9.20
Oct	9.05	9.05	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	60.44	58.57	60.57	59.30
Oct	61.89	59.90	61.90	60.90
Dec	61.55	59.80	61.59	60.24
Mar	62.71	60.71	62.71	61.50
May	63.40	61.40	62.60	61.99
Jul	62.73	61.75	0	0
Oct	62.75	61.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	133.95	133.70	134.30	132.50
Sep	125.40	126.00	125.40	124.50
Nov	117.30	117.50	117.70	116.50
Jan	116.45	115.50	116.00	114.75
Mar	115.05	116.15	115.50	115.00
May	115.00	115.00	115.50	115.50
Jul	115.00	115.00	115.50	115.50
Sep	115.00	115.00	115.50	115.50
Nov	115.00	115.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun.8	Jun 5	mnth ago	yr ago
1597.2	1600.1	1615.2	1738.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun.5	Jun 4	mnth ago	yr ago
Spot	-	117.77	116.76	-
Futures	-	119.00	118.99	-

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	621/4	606/2	622/4	608/0
Aug	625/4	609/4	626/0	613/0
Sep	629/6	614/4	630/0	617/0
Nov	637/0	622/0	637/4	625/4
Jan	643/6	628/4	644/0	631/0
Mar	651/6	636/6	652/0	639/4
May	655/0	642/0	656/0	642/4
Jul	655/4	643/0	656/0	647/0
Nov	611/4	604/6	611/6	608/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.75	21.43	21.78	21.41
Aug	21.85	21.57	21.90	21.58
Sep	22.05	21.76	22.10	21.75
Oct	22.16	21.85	22.16	21.86
Dec	22.46	22.15	22.47	22.14
Jan	22.55	22.30	22.65	22.27
Mar	22.75	22.52	22.75	22.50
May	22.97	22.70	0	0
Jul	23.05	22.85	23.05	23.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	184.2	180.1	184.4	180.4
Aug	184.6	180.7	184.7	181.3
Sep	185.0	181.4	185.4	182.0
Oct	203.3	199.9	203.5	200.5
Dec	203.6	200.2	204.0	200.5
Jan	204.3	200.8	204.3	201.4
Mar	204.3	201.5	204.5	201.5
May	204.7	201.5	204.7	202.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	263/4	259/6	263/6	259/4
Sep	266/2	260/6	266/6	261/0
Dec	269/6	263/2	270/0	264/4
Mar	276/4	270/4	276/6	271/6
May	279/0	273/6	279/0	276/0
Jul	282/4	278/0	283/0	278/0
Sep	267/4	263/4	267/4	266/0
Dec	264/0	261/0	264/0	261/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	369/4	366/4	372/4	367/0
Sep	374/4	371/2	377/0	372/0
Dec	382/4	378/6	384/6	379/6
Mar	382/4	379/0	384/4	381/0
May	368/0	365/0	372/0	368/0
Jul	343/0	341/0	345/0	343/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.050	73.050	73.175	72.675
Aug	70.675	70.725	70.850	70.450
Oct	70.025	69.975	70.175	69.800
Dec	69.675	69.550	69.850	69.500
Feb	69.450	69.350	69.650	69.300
Apr	70.750	70.550	70.750	70.650
Jun	68.225	68.125	68.400	68.225

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.500	47.200	47.625	47.100
Jul	44.825	44.550	45.200	44.650
Aug	42.350	42.200	42.550	42.100
Oct	39.075	39.150	39.400	39.050
Dec	42.050	41.850	42.450	42.000
Feb	43.275	43.250	43.650	43.250
Apr	42.450	42.300	42.500	42.450
Jun	47.500	47.350	47.500	47.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	33.400	32.600	33.575	32.600
Aug	30.950	30.650	31.250	30.500
Feb	43.675	43.550	44.000	43.125
Mar	43.100	42.800	43.200	42.800
May	44.150	44.000	44.250	43.900
Jul	46.400	45.400		

LONDON STOCK EXCHANGE

Further setback but trading very thin

By Terry Byland, UK Stock Market Editor

THE HOLIDAY closure of most stock markets in northern Europe deprived London of much of its investment business yesterday. Share prices continued to fall and traders were unhappy to see the FT-SE Index dip through another testing level to close 22.7 down at 2,645.8.

Concern over sluggishness in the domestic economy was heightened by disclosure of a very modest increase in consumer credit in April, regarded as a sign that consumers still lack confidence. Nervousness over US credit policy was not helped when a San Francisco Federal Reserve official was quoted as doubting whether a further cut in US interest rates was justified at present.

Much of the setback in the stock market was again led from the stock index futures sector, where the June contract on the FT-SE Index traded at a discount to its fair value quotation which allows for dividend flows and financing costs.

Further weakness in UK government bonds, partly reflecting sterling's weakness in the ERM currency range, also continued to unsettle equities. Share prices closed at the day's low point, rattled afresh by an unimpressive start to the new Wall Street session, where the Dow shed 5 points in UK trading hours.

Traders were disinclined to read too much into yesterday's somewhat gloomy picture, however, because of the lack of investment activity. Seaq-recorded business totalled a mere 305.7m shares, compared with 536.4m on Friday. Many share prices were barely tested yesterday, Cadbury Schweppes, for example, gaining several pence against the market trend with fewer than 1m shares changing hands.

The downward trend in the market was emphasised by another heavy fall in Midland shares, putting them at an increasing discount to the value of the largely paper bid from Hongkong and Shanghai Banking: the withdrawal from the fray of Lloyds Bank is seen in London as the probable end of the battle.

The arbitrageurs, who built large stakes in Midland last week, have turned highly apprehensive of the outlook for the HK and Shanghai share price with which Midland's shares are now inevitably linked and also for the Hong Kong stock market itself. Midland shares were again sold heavily in London yesterday.

With bid interest now sated for the present, the rest of the banking sector followed Midland lower. US-influenced stocks were in the doldrums and the domestic consumer issues were unsettled by the consumer credit data.

Strategists at the leading securities firms continued to express caution over the near term outlook for UK equities, while remaining relatively confident in the medium term. "The Danes have introduced an element of uncertainty..." remarked Mr Peter Thorne at Nikko. He believes that although the UK market is excellent value, it will continue to languish in the short term.

At Barclays de Zoete Wedd, the UK investment bank, Mr Richard Kersley warned that any early recovery in dividend growth, currently below 2 pc annualised, is far from likely.

Account Dealing Dates

*First Dealings:	May 11	Jun 1	Jun 15
Option Declarations:	May 28	Jun 11	Jun 25
Last Dealings:	May 29	Jun 12	Jun 26
Account Day:	Jun 8	Jun 22	Jul 6

*New-time dealings may take place from 8.30 am two business days earlier.

Midland holders turn tail

MORE HEAVY selling by arbitrageurs, mostly from the US, who have been disappointed by last week's turn of events in the battle for control of Midland Bank, and in particular by the withdrawal of Lloyds Bank from the contest, saw Midland shares under severe pressure again.

They closed 27 down at 419p, having been as low as 414p. Turnover reached 12m. A leading trader in the shares commented: "There was a panic to get out first thing and the stock has barely recovered."

It was suggested that arbitrageurs were not keen to take on Hongkong and Shanghai Banking scrip and had sold their stock into the market. HK Banking shares were believed to have met considerable selling pressure in the Far East after London closed last night.

The rest of the banking arena was littered with sizeable falls, specialists taking the view that the market would now concentrate on the bad news that is still overshadowing the sector. A growing feeling that a Lloyds Bank move against other so-called bid targets is now most unlikely left *TSB 7 lower at 144p and Royal Bank of Scotland 9 off at 193p.*

Standard Chartered, surrounded by worries that its exposure to hefty losses in India may be way above the 250m figure already factored in by the bank, dropped 12 to 464p. Lloyds, belaboured by the weekend press, lost 6 to 430p.

Utilities fall

The regional electricity companies were the major casualties in a generally unhappy utilities area of the market, with S.G. Warburg Securities, the leading UK brokerage, said by dealers to have instigated some substantial selling of the individual stocks and the Electricity Package.

The broker was said to have highlighted the increased likelihood of Professor Littlechild, the electricity regulator, launching an attack on the profits achieved by the regional electricity stocks over the past year.

These were up 40 per cent on average, well above expectations, with dividend growth expected to be some three times the rate of inflation and substantially more than other utilities which have already been exposed to the power of the regulatory bodies.

Warburg is thought to have adopted a particularly cautious stance on East Midland (7 lower at 295p), Northern (3 off at 327p), Seeboard (5 easier at 323p) and Yorkshire Electricity (*11 down at 362p*). The Electricity Package dropped 48 to £3165.

A squeeze and full-year results in excess of market expectations combined to cause a strong advance in UK airports operator BAA, making it the day's best performing FT-SE Index stock.

The shares climbed 15 in early trading and were up 20 at the day's best after the company reported annual profits of £192m, down 22 per cent from the previous year's but better than market forecasts. Trading was further enhanced by an accompanying statement predicting annual growth in air travel of between 5 and 8 per cent.

Mr Christopher Will at Lehman Brothers said: "This is a solid result in a year that was difficult as the company recovered from the effects of the Gulf war and the continued recession." Mr Will maintained his forecast for the year to March 1993 at a high £315m, which even he believes is "a little demanding".

Cazenove was among leading brokers reported to have quickly moved to upgrade forecasts. The shares eventually came off the top to close at 679p, up a net 14, with turnover rising to 2.4m.

ICI stood out with a 15 fall to 1312p amid concern that the European Community's farm policy reforms would have an adverse effect on the company's important agrochemicals business.

Wellcome, sustained by a bullish article on its Zovirax anti-herpes drug, managed a minor rise against the market *trend to close at 947p.*

Vodafone eased a fraction to 370p ahead of today's preliminary figures, which are expected to show profits of £265m, against last year's £244m.

Excellent preliminary results with profits up 10 per cent helped Electronic Data advance 12 to 525p. The recent BZW buy recommendation continued to stimulate support for GEC, 2 firmer at 224p.

Trading in property issues was subdued ahead of this week's clutch of results, with analysts saying that in the present depressed circumstances dividends are likely to be of particular importance.

Great Portland Estates dipped 4 to 153p ahead of today's figures, while Regalian, with results tomorrow, weakened *5 to 20p. British Land* gave up 2 to 204p as the market awaited Thursday's data from the company.

Cadbury Schweppes was one of the brighter spots in the market, but in light turnover, rising 6 to 475p. Mr Carl Short, food manufacturing analyst at Nomura, said that although he had not changed his profits forecasts for this year or next, he regarded the present share price as being attractive on fundamentals alone.

He pointed out that the present price/earnings ratio is at a premium of only 6 per cent to the market, which historically is low for such a quality stock. Mr Short added that the company appears to be doing well in spite of the recession and *that the underlying situation is* good. This also discounted the ongoing bid speculation centring on suggestions of a possible offer from US tobacco group Philip Morris.

Regional brewer Marston Thompson and Evershed, in which Whitbread has a 36.6 per cent stake, gained 5 to a year's high of 264p ahead of today's results. The shares continue to attract bid speculation on suggestions that the national brewer's interests could be served best by selling its entire *holding in Marston.*

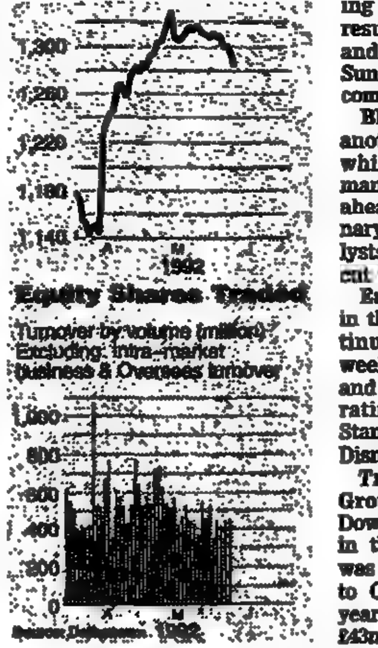
Boots remained under a cloud, losing 12 to 447p, following disappointment with the results announced last week and negative comment in a Sunday newspaper about the company's long term strategy.

BPB retreated 6 to 180p after another profits downgrading, while Pilkington, the glass manufacturer, dipped 5 to 132p ahead of Thursday's preliminary figures, which some analysts say may see the company cut the dividend.

Euro Disney fell 20 to 1063p in thin trade as the stock continued to be hurt by last week's disappointing results and Friday's reported credit rating lowering by Morgan Stanley of Walt Disney, Euro Disney's US parent company.

Transport Development Group declined 12 to 280p. Downward profit revisions are in the air after the company was reported to have indicated to City analysts that current year expectations around the £43m mark may be a little too high.

Lucas Industries receded 7 to 130p. There was talk that James Capel, which cut its profits estimates for the company last week, was taking a further look at the figures with a further downgrading a possibility.


FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover

Source: Datastream

MARKET REPORTERS:
Steve Thompson
Joel Kibazo,
Colin Milliham.

■ Other market statistics, Page 22

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (52).
BREWERS (2) Mansfield, Marston Thompson, BLDG MATLS (1) Manders, BUSINESS SERVS (2) Rotis & Nolan, Warner Howard, CONGLOMERATES (1) Jardine, CONTG & CONSTRCN (1) Boot, ELECTRICALS (1) Jones Stroud, ELECTRONICS (10) BiW Thornton, Domino Printing, Druck, Forward, Hoskyns, Learmonth & Burchett, Misys, Radius, Telemetrix, Tunstall, ENG AERO (1) AIM, ENG GEN (3) Hall, Sterling, Syltone, HEALTH & HSEHOLD (1) IWP Intl, INSCE LIFE (1) United Friendly B, INV TRUSTS (5) Drayton Blue Chip Zero Pf, Genesis Chile Wts, Overseas Wts, Shires, Welsh Indl, MEDIA (3) GWR, Johnston Press, Portsmouth & Sunderland, MTL & MTL FORMING (1) Castings, MISC (2) Faber Prest, Stag Furn., MOTORS (2) Quicks, TLS Range, OTHER FINCL (2) S & U Stores, Secure Tst, OTHER INDL MATLS (1) Harris, STORES (4) Betterware, Burton, Essex Furn., Oriflame, TEXTS (2) Drummond, Jerome, TRANSPORT (4) BAA, Dawson, P & O 5½pc Prfd, Tibbett & Britten, WATER (2) Anglian, Wessex.

NEW LOWS (33).
AMERICANS (1) Amer Cyanamid, BLDG MATLS (2) Explaura, Plastisol, BUSINESS SERVS (1) Proudfoot, CANADIANS (1) Can. Imperial Bk, CONGLOMERATES (1) AGA, CONTG & CONSTRCN (1) Taylor Woodrow, ENG GEN (1) Haden MacLellan, FOOD MANUF (4) Perkins, Sheldon Jones, Tate & Lyle, Utd. Biscuits, HOTELS & LEIS (1) Euro Disney, INV TRUSTS (6) Fleming American, F & C German Wrnts, Fulcrum Cap, Siam Selective Growth, Spanish Smaller Co's, TR Euro Growth, MEDIA (3) Novo, Storm, Sunset & Vine, OIL & GAS (2) Aminex, Sceptre Res, PROP (2) [illegible], Prop Partnerships, STORES (1) Blacks Leis, TRANSPORT (1) Davies & Newman, MINES (5) Bracken, East Daggs, Grootvlei, Kelis Minerals, Southvaal.

FINANCIAL TIMES STOCK INDICES

	June 8	June 5	June 4	June 3	June 2	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.70	88.86	88.90	89.10	89.38	83.93	89.62 (29/5)	85.71 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.83	105.07	105.01	105.49	105.92	92.96	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	2067.3	2077.4	2092.6	2090.7	2111.0	1964.4	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	105.5	104.5	107.3	108.3	108.1	201.7	160.6 (10/1)	[illegible] (5/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2645.8	2668.5	2681.9	2680.9	2705.9	2511.9	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1222.88‡	1228.02	1231.38	1234.02	1246.70	1184.49	1248.79 (11/5)	1190.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.49	4.46	4.42	4.41	4.37	[illegible]				
●Earning Yld %(full)	6.58	6.52	6.47	6.46	6.40	[illegible]				
●P/E Ratio(net)(☆)	19.01	19.10	19.24	19.38	19.55	14.57				
SEAQ Bargns 5.00pm	22,545	24,699	21,177	23,379	25,306	24,548				
Equity Turnover(£m)†	-	1178.5	1078.1	1005.6	1045.3	691.12				
Equity Bargains†	-	27,135	24,265	26,838	28,013	24,006				
Shares Traded (ml)†	-	452.8	447.5	402.3	444.0	382.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55 Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.80 ‡ Partial.

Ordinary Share Index, Hourly changes Day's High 2071.1 Day's Low 2058.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2070.3	2064.8	2070.9	2063.0	2062.3	2063.4	2063.7	2059.3	2058.5

FT-SE 100, Hourly changes Day's High 2661.3 Day's Low 2645.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2661.2	2653.3	2660.3	2653.1	2651.5	2652.5	2652.9	2648.8	2647.6

FT-SE Eurotrack 200, Hourly changes‡ Day's High 1225.54 Day's Low 1222.08

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1225.46	1225.20	1223.43	1223.39	1223.68	1223.02	1222.49

GILT EDGED ACTIVITY

Indices*	June 5	June 4
Gilt Edged Bargains	95.8	100.2
5 – Day average	95.4	95.1

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index. Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	8	473	-2
ASDA Group	1,800	31½	
Abbey National	3,100	287	-4
Albert Fisher	108	74	
Allied-Lyons	470	647	-3
Amstrad	304	46	
Anglian Water	[illegible]	460	+1
Argos	216	263	+3
Argyll Group	2,300	354½	-1
Arjo Wiggins	220	282	-2
Ass. Brit. Foods	109	438	-1
Ass. Brit. Ports	186	423	
BAA	2,400	679	+14
BAT Inds	661	778	-3
BET	[illegible]	[illegible]	-3
BICC	[illegible]	502	
BOC	683	675	-6
BPB Inds	1,300	180	-6
BTR	[illegible]	495	-2
Bank of Scotland	1,200	114	-1
Barclays	2,700	391	-7
Bass	968	994	-11
[illegible]	39	21	
Blue Circle	385	237	-8
Booker	185	475	+1
Boots	2,800	447	-12
Bowater	228	694	-9
Brit. Aerospace	894	398	-5
British Airways	1,800	280	-2
British Gas	1,500	255	-4
British Land	633	204	-2
BP	8,800	274½	-1
British Steel	1,800	76	-½
British Telecom	3,000	381½	-2½
Br. Telecom New	8,200	140	-2
Bunzl	682	108	-4
Burmah Castrol	407	646	-1
Burton	8,600	50½	-1
Cable & Wire.	376	591	-2
Cadbury Schweppes	720	475	+6
Calor Group	28	[illegible]	
Carlton Comms.	320	605	-1
Coats Viyella	264	232	-½

	Volume 000's	Closing Price	Day's change
Comm. Union	321	482	-1
Cookson	137	155	-2
Courtaulds	889	547	-14
Dalgety	646	413	-4
De La Rue	81	885	-2
Dixons	465	188	-4
Eastern Elect.	775	279	-4
East Midland Elect.	930	295	-7
Eng China Clays	2,100	[illegible]	-1
Enterprise Oil	562	425	-6
Eurotunnel Units	88	380	-3
FKI	1,200	79	-3
Fisons	694	352	-5
Forte	1,400	223	-5
Gen. Accident	291	476	-5
General Elect.	1,800	224	+2
Glaxo	1,400	732	-8
Glynwed Int.	603	383	-5
Granada	315	290	
Grand Met.	1,800	484	-2
GUS A	347	1485	-10
GRE	671	180	+1
GKN	440	407	-11
Guinness	2,100	598	+1
Hammerson 'A'	10	371	
Hanson	5,600	224½	-3½
Hanson Warrants	1,800	25¼	-2
Harrisons Crosfield	993	134	-4
Hillsdown	1,000	170	-1½
IMI	178	288	-3
ICI	705	1312	-15
Inchcape	680	485	-14
Kingfisher	480	532	-2
Kwik Save	1,700	610	-2
Ladbroke	234	227	-4
Land Securities	489	405	-1
Laporte	187	606	-7
Legal & General	845	387	+1
[illegible]	2,900	402	-6
Lloyds Bank	1,000	430	-6
LASMO	785	185	-3
London Elect.	1,800	323	+1
Lonrho	1,600	96	-3

	Volume 000's	Closing Price	Day's change
Lucas	881	130	-7
MB Caradon	139	272	-10
MEPC	[illegible]	314	+3
Manweb	854	346	-3
Marks & Spencer	1,100	325	-2
Midland Bank	12,000	420	-26
Midlands Elect.	1,700	304	
NFC	3,200	289	-4
NatWest Bank	914	350	-10
National Power	1,500	244	-1
Next	479	92	-½
North West Water	329	463	-3
Northern Elect.	638	327	-3
Northern Foods	1,100	584	-10
Norweb	[illegible]	333	-5
Pearson	444	635	-6
P & O	[illegible]	487	-4
Pilkington	1,100	132	-5
PowerGen	861	269	-1
Prudential	2,200	242	+1
RHM	665	289	-3
RMC	180	680	+1
RTZ	1,200	618	-6
Racal	5,500	63¼	+¼
Rank Org.	1,400	733	-13
Reckitt & Colman	65	881	-4
Redland	512	511	+6
Reed Int.	288	582	-6
Rentokil	827	170	-3
Reuters	838	1140	-10
Rolls Royce	7,100	163	-1½
Rothmans	29	1060	-3
Ryl Bk Scotland	3,300	193	-9
Royal Insurance	1,300	348	-2
Saatchi	2,500	20	-¼
Sainsbury	900	471	+3
Scottish & New.	1,500	476	+2
Scot. Hydro-Elect.	430	187	
Scottish Power	1,020	103½	-1
Sears	1,200	[illegible]	
Sedgwick	480	219	-3
Seeboard	182	323	-5
Severn Trent Water	745	408	-3

	Volume 000's	Closing Price	Day's change
Shell Transport	1,400	517	-2
Siebe	73	712	-6
Slough Ests	86	180	
Smith (W.H.) A	552	445	-4
Smith & Nephew	615	149	-1½
SmKl Beecham	574	678	-12
SmKl Beecham Uts.	80	[illegible]	[illegible]
Smiths Inds.	1,000	292½	[illegible]
Southern Elect.	321	298	-7
South Wales Elect.	287	383	-3
South West Water	399	416	-2
South West. Elect.	209	317	-5
Southern Water	174	415	-2
Standard Chartd.	786	464	-12
Storehouse	207	145	-1
Sun Alliance	185	308	-5
T&N	186	180	-4
TI Group	1,100	383	-5
TSB	1,800	144	-7
Tarmac	3,200	125	+2
Tate & Lyle	918	385	+5
Taylor Woodrow	758	104	+1
Tesco	827	270½	-3½
Thames Water	250	443½	-1
Thorn EMI	488	853	+2
Tomkins	310	477	-14
Trafalgar House	289	132	-4
Unigate	289	358	+5
Unilever	300	995	-3
United Biscuits	2,300	384	-5½
Utd. Newspapers	416	417	-2
Vodafone	2,100	[illegible]	-2
Warburg (SG)	19	695	+1
Wellcome	884	947	+2
Welsh Water	46	477	-1
Wessex Water	182	511	
Whitbread 'A'	1,800	487	-6
Williams Hldgs.	591	322	-5
Willis Corroon	653	285	-4
Wimpey	112	159	
Wolseley	269	403	-10
Yorkshire Elect.	1,000	362	-11
Yorkshire Water	395	468	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures fell, trading at a discount to fair value for most of the session following reports from the US indicating a cut in interest rates was unlikely in the near future, writes Joel Kibazo.

With no support from the other European markets which were closed, the early firmness in the June contract on the FT-SE disappeared, sending it down to 2,656 by mid-morning and pulling the underlying cash market lower.

The comments from the US caused a heavy bout of selling of the June future, and the weakness in the gilts market was reported to have hurt sentiment further, as did the poor opening on Wall Street.

June eventually closed at 2,648, down 25 from the previous session and below its estimated fair value premium of about 6. Volume at 6,190 was light. Further falls in June were reported in after-hours' trading. Dealers also talked about the increased business in September, in which over 1,000 lots had been dealt by the official close.

In traded options, turnover in the FT-SE option of 12,875 accounted for the bulk of the day's total volume of 27,900 contracts.

Continued selling of Midland Bank once again made it the most active stock option of the day. It traded 2,757 lots, with the June 420 calls the busiest series.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday June 8 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Jun 5: Index No.	Thu Jun 4: Index No.	Wed Jun 3: Index No.	Year ago (approx.): Index No.
1 CAPITAL GOODS (179)	877.86	-0.9	6.71	5.32	19.43	15.19	885.46	892.10	891.0[illegible]	834.92
2 Building Materials (22)	1006.79	-0.9	5.40	5.91	25.73	19.03	1016.27	1037.25	1034.11	1067.18
3 Contracting, Construction (28)	969.54	-1.0	3.64	6.23	58.05	24.60	979.56	986.44	987.34	1292.92
4 Electricals (8)	2658.89	-0.4	6.40	5.80	20.05	60.82	2669.04	2687.51	2694.65	2403.63
5 Electronics (29)	1988.17	+0.3	9.01	4.20	14.07	7.29	1982.26	1982.69	1977.52	1746.52
6 Engineering-Aerospace (7)	378.52	-1.4	9.18	6.06	13.89	11.16	383.87	385.47	383.37	429.90
7 Engineering-General (44)	557.61	-1.2	7.55	4.28	16.45	8.24	564.12	565.98	565.40	448.52
8 Metals and Metal Forming (8)	358.42	-0.9	0.91	9.63	–	2.03	361.64	363.25	364.81	459.14
9 Motors (14)	375.67	-2.3	7.07	6.26	18.61	10.04	384.40	388.12	392.43	325.67
10 Other Industrial Materials (19)	1800.27	-0.8	6.88	4.60	17.51	33.79	1815.63	1826.45	1821.52	1530.34
21 CONSUMER GROUP (188)	1689.94	-0.6	7.22	3.41	16.99	20.48	1700.70	1714.07	1717.32	1474.45
22 Brewers and Distillers (24)	2178.39	-0.4	7.70	3.40	15.61	26.21	2187.67	2214.16	2206.90	1817.24
25 Food Manufacturing (17)	1276.74	-0.2	8.32	4.11	14.08	21.16	1279.00	1281.05	1276.68	1160.27
26 Food Retailing (18)	2911.54	-0.2	8.30	3.13	15.49	34.95	2916.71	2932.58	2927.77	2757.98
27 Health and Household (24)	4044.64	-0.9	6.82	2.62	16.72	35.91	4082.44	4122.93	4149.92	3469.77
29 Hotels and Leisure (20)	1376.33	-0.9	5.75	4.93	22.53	23.50	1389.31	1405.12	1392.59	1289.63
30 Media (25)	1621.71	-0.8	6.08	3.43	20.45	18.30	1634.10	1646.47	1658.28	1424.94
31 Packaging, Paper & Printing (17)	835.37	-0.9	6.21	3.95	19.57	11.84	842.56	848.69	847.46	690.66
34 Stores (33)	1065.63	-0.9	7.19	3.47	18.38	12.26	1075.05	1079.84	1091.95	912.69
35 Textiles (10)	729.07	-0.2	6.29	4.26	20.05	12.44	731.63	732.70	732.43	538.54
40 OTHER GROUPS (116)	1318.42	-0.9	9.37	4.95	13.37	17.76	1329.75	1333.78	1330.41	1235.47
41 Business Services (17)	1461.72	-2.0	6.68	4.35	18.86	15.14	1491.39	1520.41	1508.06	1203.40
42 Chemicals (22)	1535.88	-1.1	6.95	4.75	17.64	31.75	1553.37	1557.73	1551.93	1387.02
43 Conglomerates (11)	1371.68	-1.9	9.42	4.93	13.26	23.62	1397.93	1414.61	1406.91	1506.01
44 Transport (14)	2671.15	-0.2	7.61	4.39	15.97	40.88	2675.40	2694.11	2691.82	2202.74
45 Electricity (16)	1327.89	-0.8	13.53	4.96	9.53	17.21	1337.99	1334.36	1324.61	1221.97
46 Telephone Networks (4)	1471.50	-0.6	10.42	4.43	12.53	16.02	1480.39	1470.57	1465.89	1476.39
47 Water (10)	2890.98	-0.4	14.96	5.71	7.39	19.52	2901.83	2903.15	2885.42	2377.33
48 Miscellaneous (22)	2069.47	-0.5	5.70	4.76	23.19	22.54	2079.58	2105.67	2138.47	1909.08
49 INDUSTRIAL GROUP (483)	1370.91	-0.7	7.80	4.26	16.00	18.51	1381.19	1389.84	1389.74	1243.75
51 Oil & Gas (17)	2181.59	-0.7	6.95	6.52	18.90	63.69	2196.82	2171.55	2151.34	2386.38
59 500 SHARE INDEX (500)	1446.39	-0.7	7.71	4.49	16.26	21.93	1457.16	1463.57	1462.07	1341.08
61 FINANCIAL GROUP (88)	765.00	-1.5	–	5.93	–	19.04	776.45	782.36	785.38	705.95
62 Banks (9)	975.40	-2.7	4.95	5.60	31.99	28.58	1002.12	1007.08	1012.96	881.04
65 Insurance (Life) (6)	1495.89	+0.3	–	5.95	–	44.26	1491.58	1513.11	1527.75	1469.89
66 Insurance (Composite) (7)	540.44	-0.7	–	6.44	–	15.46	544.29	551.68	547.70	644.37
67 Insurance (Brokers) (10)	957.64	-1.3	8.11	6.81	16.23	25.92	970.06	978.79	971.34	1096.36
68 Merchant Banks (7)	514.26	-0.2	–	4.14	–	8.56	515.05	514.04	513.94	422.71
69 Property (32)	678.61	-0.2	8.65	6.79	15.57	16.55	680.14	686.21	693.96	943.38
70 Other Financial (15)	263.74	-1.0	6.90	6.60	19.66	4.34	266.36	267.31	267.28	280.76
71 *Investment Trusts* (69)	1223.50	-1.1	–	3.67	–	16.78	1237.03	1244.73	1248.69	1211.33
99 ALL-SHARE INDEX (655)	1283.32	-0.8	–	4.64	–	20.88	1294.13	1300.37	1299.93	1287.25

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	Year ago
FT-SE 100 SHARE INDEX§	2645.8	-22.7	2661.3	2645.6	2668.5	2681.9	2680.9	2705.9	2697.6	2511.9

FIXED INTEREST

	PRICE INDICES	Mon Jun 8	Day's change %	Fri Jun 5	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (25)	123.16	-0.04	123.43	2.63	4.85
2	5-15 years (24)	138.27	-0.23	139.26	2.30	6.12
3	Over 15 years (10)	149.71	-0.48	150.43	2.38	4.83
4	Irredeemables (6)	165.53	-0.64	166.60	1.31	6.35
5	All stocks (65)	136.08	-0.21	136.80	2.45	5.64
	Index-Linked					
6	Up to 5 years (2)	172.82	-0.04	172.90	0.72	1.83
7	Over 5 years (9)	153.47	+0.01	153.45	1.25	1.64
8	All stocks (11)	154.95	....	154.95	1.17	1.65
9	Debs & Loans (63)	116.76	-3.38	120.84	2.02	5.48

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jun 8	Fri Jun 5	Year ago (approx.)
	British Government				
1	Low	5 years	8.09	8.05	9.35
2	Coupons	15 years	8.98	8.93	9.90
3	(0%-7¾%)	20 years	8.99	8.93	10.03
4	Medium	5 years	9.24	9.20	10.43
5	Coupons	15 years	9.07	9.01	10.33
6	(8%-10¾%)	20 years	9.03	8.98	10.24
7	High	5 years	9.44	9.40	10.60
8	Coupons	15 years	9.28	9.22	10.48
9	(11%-)	20 years	9.21	9.16	10.36
10	Irredeemables†		9.19	9.12	10.26
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.01	3.99	4.22
12	Inflation rate 5%	Over 5 yrs.	4.32	4.32	4.26
13	Inflation rate 10%	Up to 5 yrs.	3.32	3.29	3.37
14	Inflation rate 10%	Over 5 yrs.	4.15	4.15	4.08
15	Debs &	5 years	10.30	10.46	11.90
16	Loans	15 years	10.60	10.27	11.70
17		25 years	10.68	10.17	11.52

§Opening index 2661.2; 9 am 2653.3; 10 am 2660.3; 11 am 2653.1; Noon 2651.5; 1 pm 2652.5; 2 pm 2652.9; 2.30 pm 2652.5; 3 pm 2648.8; 4.10 pm 2646.8; (a) 8.32am (b) 4.21pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 3pc 1992		99¾xd	—	99¾	97[illegible]	3.00	—
Exch 12¼pc 1992		100½	—	101¼	100[illegible]	12.19	9.72
13½pc 1992		[illegible]	—	102¼	100[illegible]	13.27	[illegible]
Treas 8¼pc 1993		99¼	—	99¼	97[illegible]	[illegible]	[illegible]
10pc 1993		[illegible]	—	101½	[illegible]	[illegible]	9.64
12½pc 1993		[illegible]xd	—	[illegible]	101[illegible]	12.10	9.52
Funding 6pc 1993		97[illegible]	—	97[illegible]	95[illegible]	6.17	8.30
Treas 13¾pc 1993		[illegible]	[illegible]	[illegible]	[illegible]	13.01	9.46
8½pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14½pc 1994		107¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13½pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.41
Treas 10pc Ln. 1994		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12½pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.42
Treas 9pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.27
12pc 1995		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 3pc Gas 90-95		91¼	[illegible]	[illegible]	[illegible]	[illegible]	8.41
10¼pc 1995		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12¾pc 1995		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9pc 1992-96		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15¼pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13¼pc 1996		112¼	[illegible]	[illegible]	[illegible]	[illegible]	9.46
Conversion 10pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Treas 13¼pc 1997		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.42
Exch 10½pc 1997		104¾	[illegible]	[illegible]	[illegible]	[illegible]	9.23
Five to Fifteen Years							
Treas 8¾pc 1997		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.15
8¾pc 1997 B		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.16
Exch 15pc 1997		[illegible]	[illegible]	[illegible]	[illegible]	12.24	9.53
9¾pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.24
Treas 6¾pc 1995-98		[illegible]	[illegible]	[illegible]	[illegible]	7.32	8.46
15½pc '98		[illegible]	[illegible]	[illegible]	[illegible]	12.10	9.47
Exch 12pc 1998		112¾	[illegible]	[illegible]	[illegible]	[illegible]	9.35
Treas 9½pc 1999		[illegible]xd	[illegible]	[illegible]	[illegible]	[illegible]	9.12
Exch 12¼pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.37

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		[illegible]	-¼	[illegible]	101[illegible]	[illegible]	9.26
Conversion 10¼pc 1999		105¼	-¼	[illegible]	100[illegible]	9.74	9.25
9pc 2000‡‡		[illegible]	-¼	[illegible]	94¾	[illegible]	9.11
9% 2000 C		[illegible]	[illegible]	[illegible]	[illegible]	9.11	9.12
Treas 13pc 2000		[illegible]xd	-¼	121¼	[illegible]	[illegible]	9.47
10pc 2001		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.20
14pc '98-01		[illegible]	[illegible]	121	[illegible]	[illegible]	9.56
9¾pc 2002		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.17
9¾pc 2002 C		[illegible]	[illegible]	[illegible]	[illegible]	9.40	9.17
10pc 2003		[illegible]	[illegible]	[illegible]	[illegible]	9.40	9.17
10pc 2003 B		[illegible]	—	91	[illegible]	[illegible]	9.18
Treas 11½pc 2001-04		112¼	[illegible]	[illegible]	[illegible]	[illegible]	9.42
Funding 3½pc '99-04		[illegible]xd	[illegible]	[illegible]	[illegible]	[illegible]	8.01
Conversion 9½pc 2004		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.14
9½pc 2005		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.12
Treas 12½pc 2003-05		121¾	[illegible]	[illegible]	[illegible]	10.27	9.36
8pc 2002-06‡‡		[illegible]	[illegible]	[illegible]	[illegible]	8.76	9.12
Over Fifteen Years							
Treas 11¾pc 2003-07		116	[illegible]	[illegible]	[illegible]	[illegible]	9.35
Treas 8½pc 2007 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.05
8½pc 2007 A		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.05
13½pc '04-08		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.37
9pc 2008 ‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.02
8pc 2009		[illegible]	[illegible]	[illegible]	[illegible]	8.77	9.01
Conv 9pc Ln 2011 ‡‡		[illegible]xd	[illegible]	[illegible]	[illegible]	9.01	9.01
9pc 2011 B		[illegible]xd	[illegible]	[illegible]	[illegible]	9.01	9.00
Treas. 9pc 2012		[illegible]	[illegible]	[illegible]	[illegible]	9.01	9.00
Treas 5½pc 2008-12‡‡		[illegible]	[illegible]	[illegible]	[illegible]	8.12	8.97
7¾pc 2012-15‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.01
Exch 12pc '13-17		127¼xd	[illegible]	[illegible]	[illegible]	[illegible]	9.05
Treas 8¾pc 2017		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated							
Consols 4pc		46	-¼	[illegible]	[illegible]	[illegible]	—
War Loan 3½pc‡‡		[illegible]	-¼	[illegible]	[illegible]	[illegible]	—
Conv 3½pc '61 Aft		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Treas 3pc '66 Aft		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Consols 2½pc		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Treas. 2½pc		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

BRITISH FUNDS - Cont.

Index - Linked	Notes (b)	Price £	+ or -	1992 high	1992 low	Yield Int. (1)	Yield Red. (2)
Treas. 2pc '94	(102.9)	[illegible]	-⅛	[illegible]	122¾	2.71	4.00
2pc '96	(67.9)	[illegible]	[illegible]	[illegible]	[illegible]	2.41	4.01
2½pc '01	(78.3)	[illegible]	—	149	143	4.08	4.41
2½pc '03	(78.8)	[illegible]	—	[illegible]	[illegible]	4.12	4.39
2pc '06	(69.5)	[illegible]	—	[illegible]	[illegible]	4.18	4.37
2½pc '09	(78.8)	[illegible]	—	[illegible]	[illegible]	4.17	4.35
2½pc '11	(74.6)	128	—	[illegible]	[illegible]	4.17	4.34
2½pc '13	(89.2)	[illegible]	—	[illegible]	[illegible]	4.16	4.31
2½pc '16	(81.6)	[illegible]	—	[illegible]	[illegible]	4.18	4.29
2½pc '20	(83.0)	[illegible]	—	[illegible]	[illegible]	4.12	4.26
2½pc '24‡‡	(97.7)	[illegible]	—	[illegible]	[illegible]	4.18	4.23

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1991: 134.6 and for April 1992: 138.8

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11¼ 2010		[illegible]	-¼	[illegible]	[illegible]	[illegible]	9.51
Asian Dev 10¼pc 2009		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B'ham 11½pc 2012		[illegible]	-¼	111	[illegible]	10.43	10.20
Ireland Cap 8½pc '10		89	—	[illegible]	[illegible]	[illegible]	—
9pc Cap 1998		[illegible]	—	[illegible]	90	[illegible]	—
13pc '97-02		[illegible]	—	[illegible]	104	12.46	—
Hydro Quebec 15pc 2011		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int-Am Dev 12¼pc 2003		[illegible]	[illegible]	[illegible]	[illegible]	10.42	9.47
9¾pc 2015		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leeds 13½pc 2006		[illegible]	-1	[illegible]	[illegible]	[illegible]	10.40
Liverpool 3½pc Irred		[illegible]	—	[illegible]	30	[illegible]	—
LCC 3pc '20 Aft		[illegible]	—	[illegible]	27	[illegible]	—
Manchester 11½pc 2007		[illegible]	[illegible]	[illegible]	[illegible]	10.69	10.20
Met. Wtr. 3pc 'B'		[illegible]	—	[illegible]	53	5.18	9.02
N'wide Anglia 3¾pc 2021		[illegible]	—	[illegible]	[illegible]	—	5.35
4¼pc IL 2024		118	—	[illegible]	[illegible]	—	5.10
Utd Mex States 16½pc 2008		126	-¼	128	[illegible]	[illegible]	12.91

Prices for electricity [illegible] for the purposes of the electricity pooling and settlement arrangements in England and Wales

UK hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.72	17.21	17.21
0100	17.85	17.18	17.18
0130	17.60	17.24	17.24
0200	17.60	26.33	[illegible]
0230	17.55	26.33	27.56
0300	17.55	17.31	17.31
0330	17.56	17.31	17.31
0400	17.55	17.23	[illegible]
0430	17.55	17.23	[illegible]
0500	17.65	17.21	17.21
0530	17.51	17.21	17.21
0600	17.51	17.24	17.24
0630	17.72	17.22	17.22
0700	[illegible]	26.41	31.53
0730	22.51	22.50	23.69
0800	[illegible]	23.09	24.30
0830	28.01	30.74	[illegible]
0900	[illegible]	30.76	32.21
0930	26.02	30.76	[illegible]
1000	28.03	27.94	29.27
1030	28.03	25.61	26.85
1100	[illegible]	25.62	26.84
1130	28.03	25.63	26.86
1200	26.36	25.63	26.87
1230	26.35	25.61	26.83
1300	26.35	25.25	26.44
1330	25.61	23.90	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	23.88	[illegible]
1500	24.32	23.55	24.66
1530	[illegible]	23.55	24.68
1600	25.27	23.65	24.69
1630	[illegible]	26.53	27.74
1700	28.01	26.54	27.73
1730	[illegible]	26.53	27.72
1800	28.00	26.51	27.72
1830	24.32	23.41	[illegible]
1900	24.21	23.41	24.56
1930	23.46	[illegible]	24.57
2000	22.51	20.94	22.03
2030	22.51	20.94	22.03
2100	23.17	26.49	27.75
2130	28.88	26.49	27.72
2200	31.42	26.49	27.70
2230	35.83	26.49	27.73
2300	[illegible]	20.42	21.51
2330	22.44	19.98	21.04
2400	17.72	17.26	17.26

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt hour, rounded to two decimal places. To convert prices to pence per kilowatt hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the [illegible] of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. [illegible] capable of revision.
NGC Settlements Limited

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.	94xd	—	107	83½	12.8	—	—
Cap.	27	-2	42	12½	—	58.1	45.4
Stepped Pf.	141	—	141¼	126	8.8	—	—
Zero Div Pf.	186	—	188	166½	—	—	—
Warrants	5½	-½	9	3½	—	—	—
Scot Value	62½xd	—	64	48	3.3	62.7	0.5
Sec Alliance	1239	-11	1283	1138	3.8	1375.2	8.9
Second Market	242	—	244	222	9.4	290.1	16.6
Sec Tst Scot	72½	-½	75½	63	6.6	74.7	3.0
Select Assets	94	—	102½	94	1.2	132.8	29.2
Eq Ind Serl	123	—	123	109	4.8	—	—
Eq Ind Serll	123	—	123	109	4.8	—	—
Shires	246	—	248	195	10.1	241.7	-2.6
11pc Cv Ln '03/04	£115½	—	£119½	£95½	9.6	—	—
Stam Select	75	-2	91	73	1.9	85.7	12.5
Warrants	14	-1	21	14	—	—	—
Smaller Cos	84	—	86	67	4.8	93.6	10.3
Warrants	18	—	20	10	—	—	—
Sphere Inc	15	—	20	14½	27.8	22.8	36.3
Zero Div Pf	77¼	—	77¼	65¼	—	—	—
Warrants	2¼	—	3½	0¼	—	—	—
Stratton	167xd	—	169	147	1.4	190.3	12.3
Suez	55	—	55	38	3.8	109.6	49.8
TR City of Lon	124½	-1	127½	97½	5.1	120.0	-4.0

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Homestake $	6½	—	10⅞	8¼	808.1	1.6
Livermore West IE	42	—	50	42	19.3	—
Koala Minin IE	25	-5	42	23	0.56	—
Kenmare	5¼	—	6½	3½	3.88	—
Melinga Res	42	-½	42½	30½	4.59	—
Naven Res IE	28½	—	35	18	3.42	—
North West Expl A$	3	—	6	2	1.01	—
Oryx Gold $	78½	—	103	61	—	—
Ovoca Res IE	9	—	11	6½	0.42	—
Plateau	8	—	13	8	2.73	—
RTZ	616	-6	650	400	6,100	4.2
Vizcaya	1½	—	5	1	0.80	—
Western & Pac C$	45½	-6½	60	7	25.8	—
Young Grp	18	-1	110	4	2.71	19.3

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	265.4	265.4	282.4	−1.8	0.81
(Accum Units) ♥	5	312.4	312.4	332.4	−2.1	0.81
British	5	868.1	884.5	935.8	−6.4	3.35
(Accum Units)	5	1455.8	1483.1	1569.3	−10.8	3.35
European	5	341.2	341.2	362.2	−0.1	1.43
(Accum Units)	5	369.9	369.9	392.6	−0.1	1.43
Japan	5	96.06	96.06	102.2	−0.7	−
(Accum Units)	5	96.83	96.83	103.0	−0.7	−
New Pacific	5	209.7	210.4	224.1	−0.1	1.57
(Accum Units)	5	217.0	217.8	231.9	−0.1	1.57
Investment Tst May 27	5	161.2	164.5	176.2	−	2.50
Magd Equity	5	131.1	132.6	140.3	−0.2	2.75
Magd Equity Acc	5	139.1	140.7	148.9	−0.2	2.75
Magd Cash	0	96.62	96.62	96.62	+0.05	9.35
(Accum Units)	0	121.4	121.4	121.4	+0.10	9.35
Majority Stlg	1	100.75	100.75	101.76	+0.06	9.21
Majority Stlg Acc	1	111.73	111.73	112.85	+0.06	9.21
Stonehenge Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Jun 1	0	50.20	50.20	50.67	....	1.75
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	640.7	640.4	693.5	−3.3	2.87
North America	6	80.62	80.62	86.22	−0.37	0.37
Far East	6	87.68	87.68	93.80	−0.50	0.59
W'wide Bond	6	46.83	46.83	49.82	−0.15	6.22
European	6	69.45	69.45	74.28	−0.08	1.20
Equity Income	6	70.40	70.40	75.39	−0.72	5.35
Portfolio	6	59.25	59.25	63.37	−0.39	1.72
UK Leading Cos	6	46.83	46.44	49.40	....	3.07
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	....	2.23
Intnl Equity ♥	6	46.11	46.42	49.65	−0.13	2.75
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Managed Assets	6	105.06	105.72	113.07	−0.41	5.28

	Bid Price	Offer Price	+ or −	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property May 31	190.25	194.05	..	8.21
Equity May 31	922.95	935.85	..	3.76
* Available only to Local Authorities				
M & G Securities Ltd				
Charifund June 5		104.82	−0.2	10.29
(Accum Units)		651.62	−1.2	10.29
MAAGIF Jun 2		42.75	....	9.07
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † June 2	140.3	150.3	....	1.79
UK Small Co † June 2	564.5	617.6	....	3.26
Fixed Interest † June 2	111.0	116.9	....	8.52
US Small Co June 2	154.1	164.9	....	0.00
Managed June 2	115.7	123.7	....	3.46
Intl Bond June 2	120.7	127.4	....	10.08
Japan June 2	61.68	65.75	....	4.04
European June 2	93.48	100.1	....	1.68
Nth American June 2	113.7	122.4	....	1.29
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	53.78	55.94	−0.62	1.70
European Exempt	53.75	56.42	[illegible]	2.39
Fixed Int Ex Jun 3	47.17	48.36	....	8.94
Japan Exempt	37.27	38.77	−0.11	0.80
Managed Ex June 4	47.68	49.59	....	3.96
SE Asia Exempt	81.94	86.04	−1.43	2.19
Sm Cos Expt Jun 3	38.44	40.37	....	3.07
UK Eqty Ex Jun 3	46.64	48.98	....	3.64
Phillips & Drew Fund Management Ltd				
Small Co's Jun 3	736.91	783.90	....	3.76
Do Accum	860.3	915.16	....	3.76
Int Expt Jun 4	193.07	197.33	....	1.79
UK Index Jun 3	1269.35	1295.42	....	4.44
Do Accum	1414.17	1494.08	....	4.44

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135.0	142.1	(z)	–
Property Acc. (Gross)	257.2	270.8	(z)	–
Equity (Gross)	921.4	969.9	(z)	–
Managed (Gross)	637.2	670.8	(z)	–
Property Acc. (Net)	123.0	129.5	(z)	–
Equity (Net)	212.9	224.1	(z)	–
Managed (Net)	195.3	205.6	(z)	–
International (net)	167.3	176.1	(z)	–
Gilt & Fixed Interest	140.3	147.7	(z)	–
Money Fund	139.2	146.6	(z)	–
Mixed Fund (Cap)	122.2	128.7	−0.7	–
Mixed Fund (Acc)	126.2	132.9	−0.8	–
Adventurous Managed	96.0	101.1	----	–
Cautious Managed	95.7	100.7	----	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	693.5	730.1	(z)	–
Ret Man (Series 2)	235.2	247.6	(z)	–
Ret Cash	195.9	206.2	(z)	–
Pens Mixed Fd (Cap)	136.4	143.6	−1.3	–
Pens Mixed Fd (Acc)	141.0	148.5	−1.2	–
Pens Stlg Fd (Cap)	103.6	109.1	+0.2	–
Pens Stlg Fd (Acc)	107.0	112.7	+0.2	–
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	104.6	110.2	----	–
Managed Balanced	102.3	107.7	+0.1	–
Managed Cautious	113.4	119.4	----	–
Pension Funds				
Managed Aggressive	109.5	115.3	----	–
Managed Balance	107.3	113.0	+0.1	–
Managed Cautious	117.9	124.1	+0.1	–
For Pioneer Mutual see Swiss Pioneer				
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	139.0	147.0	−1.0	–
Building Soc. Fd.	222.0	234.0	----	–
Balanced	284.0	299.0	−1.0	–
European	212.0	224.0	−1.0	–
GT Managed	192.0	203.0	----	–
Gartmore Mngd.	128.0	135.0	----	–
German	137.0	145.0	----	–
Gilt	183.0	193.0	−1.0	–
Global	41.0	44.0	----	–
International Equity	208.0	219.0	−3.0	–
[illegible]	172.0	182.0	−1.0	–

	Bid Price	Offer Price	+ or −	Yield Gross
Provident Mutual Life Assc. Assn.—Contd.				
Index Linked Gilt Init.	128.0	134.7	----	–
Overseas Equity Ord.	270.8	285.1	−0.9	–
Overseas Equity Init.	198.0	208.4	−0.8	–
Property Ord.	221.7	233.4	+0.1	–
Property Init.	162.1	170.6	+0.1	–
Fixed Interest Ord.	227.6	239.6	−0.4	–
Fixed Interest Init.	166.4	175.2	−0.3	–
Deposit Ord.	186.3	196.1	+0.1	–
Deposit Init.	136.2	143.4	----	–
Pension Funds				
Managed Ord	473.7	498.6	−3.4	–
Managed Init.	346.3	364.5	−2.6	–
Equity Ord.	742.8	781.9	−8.5	–
Equity Init.	543.0	571.6	−6.4	–
Pen Ind Lkd Gilt Ord.	189.1	199.1	----	–
Pen Ind Lkd Gilt Init.	144.4	152.0	----	–
Overseas Equity Ord.	307.9	324.1	−1.2	–
Overseas Equity Init.	225.1	236.9	−0.9	–
Property Ord.	279.1	293.8	+0.1	–
Property Init.	204.1	214.8	+0.1	–
Fixed Interest Ord.	289.5	304.7	−0.5	–
Fixed Interest Init.	211.6	222.7	−0.5	–
Deposit Ord.	267.2	281.3	+0.2	–
Deposit Init.	195.3	205.6	+0.1	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Jun 3	270.8	282.1	----	–
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3280				
Prudential Managed Funds				
Discretionary Jun 3	£195.24	201.32	----	–
Equity Jun 3	£227.10	234.85	----	–
International Jun 3	£27.86	28.43	----	–
Intl Bond Jun 3	£14.36	14.55	----	–
Fixed Int Jun 3	£106.22	107.40	----	–
Index Linked Jun 3	£77.64	78.62	----	–
Property Jun 3	£109.69	115.76	----	–
Cash Jun 3	£30.5947	30.5947	----	–
Pru-Linked Retirement Plan				
Managed Jun 2	475.4	495.3	----	–
Cash Jun 2	280.0	292.8	----	–
Prudential Pension Investment Account				
Pens Mngd Jun 9	187.3	201.5	−1.4	–
Pens UK Eq Jun 9	337.2	363.5	−3.0	–
Pens Intl Jun 9	197.4	212.2	−0.9	–
Pens Global Eqty Jun 9	104.8	110.4	−0.8	–
Pens Fixed Jun 9	239.1	251.4	−0.5	–

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer+ or Price	Yield Gr's
Allied Dunbar Intl Fund Mgrs – Contd.					
ADI Far East (z)	5	1.157	1.157	1.252	[illegible]
ADI UK Cap Gth (z)	5	[illegible]	0.2433	0.2591	3.32
ADI Europe Fd (z)	5	[illegible]	1.207	2.283	2.62
*For conversion Prices of Shares Phone: 0624 662860					
Asset Global Funds Ltd (1200)					
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097					
European Equity	5	14.17	14.17	15.23	-0.12
UK Gilt	5	[illegible]	10.438	10.98	[illegible]
Intl Equity	5	14.64	14.64	15.70	-0.10
Eurobond Bond	5	[illegible]	0.9991	1.0540	[illegible]
Sterling Cash Inc	5	[illegible]	0.9877	1.0371	—
CMI Fund Managers (IoM)					
Clerical Medical Hse, Douglas, IoM 0624 625999					
High Income	5	[illegible]	0.4906	0.5164	10.25
Equity & Law Intl Fund Mngrs Ltd					
Victory Hse, Prospect Hill, Douglas IoM 0624 677877					
Total Income Fd	5	94.99	94.99	99.98	10.0
Gartmore Fund Managers (IoM)					
PO Box 32, Douglas, IoM 0624 627610					
Intl Grth	5½	487.6	487.6	522.6	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd					
PO Box 52 Athol St Douglas IoM 0624 661020					
L.J. International	5½	95.14	95.14	102.17	—
Mercury Fund Managers IoM Ltd					
11 Hill Street, Douglas IoM 0624 662255					
Merc IoM Fund	5	105.8	105.8	112.9	6.2
Merc Intl Bond	5	50.16	50.16	52.74	8.9
Sun Life Management (IoM) Ltd					
PO Box 178, Douglas, IoM 0624 622444					
Secure High Income	[illegible]	1.0510	1.0510	1.1268	7.99
Unibank Scandinavian Fund Ltd					
23 Bucks Road, Douglas, IoM 06246 26486					
Scandinavia Fd	5½	—	138.58	147.77	1.0

ISLE OF MAN (REGULATED)(**)

	Init Charge	Canc. Price	Bid Price	Offer + or Price	Yield Gr's
Cater Allen Investment Management (CI)					
CA Gilt Income		£6.41	6.71	----	7.88
CA Gilt & Futures		£1.044	1.097	----	7.29
CA Equity Gwth		£4.16	4.54	----	3.00
Citibank (CI) Ltd "Citifunds"					
Short term Investment Funds					
Irish £ Jun 4			118.483	----	—
Equity Funds					
Japan Equity Jun 4			$7.722		—
US Em Nth Jun 8			$23.443		—
US Em Tech Jun 8			$19.219		—
Chicago Jun 8			$95.972		—
Bond Funds					
GNMA Bond Jun 8		$14.907	14.913		—
HYB (A) Jun 8			$92,348.067		—
EBC Trust Company (Jersey) Ltd					
Income		$15.23	15.707	+0.021	2.74
Capital		$23.70	24.441	+0.030	5.80
*Offer price includes 3% prelim. charge					
International Income Fund					
Eurobd Long Term		$33.59	35.1175	----	4.81
*Offer Price includes 3½% Initial Charge					
Equitilink International Mngt Ltd					
First Aust Prime Inc Inv Co Ltd NAV June 4 C$23.19xd					
First Aust Prime Inc Inv Co Ltd NAV June 4 US$11.02xd					
NAV Diluted to reflect exercise of all Wrrts C$12.83xd US$10.72xd					
Fidelity Investment (CI) Ltd					
Sterling Americas		£2.489	2.620	-0.007	—
Fleming Group					
Robert Fleming Management (Jersey) Ltd					
Deutschland Inv Co NAV			DM16.53	(z)	—
Foreign & Colonial Mngmt (Jersey) Ltd					
USS Cash			$10.69	----	—
Sterling Cash			£11.92	----	—
USS Bonds			$14.85	+0.04	—
Multicurrency Bonds			$19.91	+0.09	—
Sterling Bonds			£13.33	-0.01	—
D Mark Bonds			DM10.53	----	—
Ecu Bonds			Ecu11.63	----	—
UK Equities			£10.84	-0.03	—
US Equities			$16.46	-0.07	—
Japanese Equities			Y616	-0.05	—
Contl Euro Equities			DM17.41	-0.02	—
[illegible]			£10.23	+0.02	—
[illegible]			$10.10	+0.04	—
[illegible]			Y1000	----	—

CMI Asset Management – Contd. Nordic Equity; Swiss Equity; UK Equity; US Equity; Japan Index Tracking; UK Eqty Index Tracking; US Eqty Index Tracking; German Bond; Japanese Bond; Swiss Bond; UK Bond; US Bond; Stlg Currency Reserve; US Dlr Currency Reserve [illegible]

Commercial Union Luxembourg SA (a) 41 Ave de la Gare L-1611 [illegible]

JERSEY (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV June 1	$9.3881			—
Alliance Capital				
International	$15.73	16.65	+0.03	—
International Class B	$15.56	15.56	+0.09	—
[illegible]	$20.77	21.98	-0.16	—
[illegible] Class B	$20.54	20.54	-0.15	—
[illegible] Small Cap	$10.61	11.23	-0.04	—
[illegible] Small Cap Class B	$10.49	10.49	-0.04	—
[illegible] Fd	$5.12	5.42	+0.02	—
Global Asset Management – Contd.				
GAM Japan	$611.06		----	—
GAM Nth America Fd	$130.93		----	—
GAM Money Mkt US$	$101.49		+0.01	—
Do Sterling	£104.28		+0.03	—
Do Swiss Fr	SFr103.38		----	—
Do Deutschmark	DM103.96		----	—
Do Yen	Y10193		+1	—
GAM [illegible]	$122.74			—
GAM [illegible]	$126.59		----	—
Orbis Investment Management Ltd				
Orbis Global Eqty	$12.66	13.31	----	—
Orbis Optimal Eqty	$17.17	18.04	----	—
Orbis Leveraged Eqty	$17.34	18.53	----	—
* Prices on June 4 [illegible]				
Orbitex Bahamas Ltd				
[illegible]				
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$16.40	17.31	-0.04	0.88
[illegible] Warrants	$3.70	3.93	-0.05	—
Asian Warrants	$12.56	13.30	+0.17	—
European Warrants	$5.40	5.72	-0.13	—
Managed	HK$12.58	12.26	----	—
Private Capital [illegible]		$21.25	+0.01	—
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$13.74	14.44	----	—
Wells Fargo U.S. TT Fund				
Wells Fargo A Shs (z)		$10.93	----	—
Wells Fargo B Shs Ltd		$10.54	----	—
Worldwide Limited				
NAV Apr 30		$97.69	----	—
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0939	----	—
Xiphias Int ECU		Ecu1.0692	----	—
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$9.99	----	—

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. o Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ψ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark retains EMS strength

THE D-MARK maintained its strength against most European currencies yesterday, as the foreign exchange markets failed to shake off last week's concern about the future of European Monetary Union (Emu), *writes James Blitz.*

With most of Europe off on holiday, trading was thinner than usual. But that did not stop the D-Mark making new gains against the Spanish peseta and Italian lira in the wake of last week's decision by the Danish people not to endorse the Maastricht treaty for closer political and economic union.

Against the D-Mark, the peseta ended at Pta63.12, after Friday's close of Pta62.95, while the French franc gained only a small amount of ground, finishing at FFr3.370 compared with a previous FFr3.372. Sterling closed unchanged at DM2.9150. Traders said that neither the pound's performance nor the French franc's was enough to suggest that the worries over Maastricht were dying away.

Emu-related fears are threatening the Italian lira more than any other currency, however. The market's view was that the Maastricht treaty would force Italy to curb its huge budget deficit more resolutely than its own politicians would. Yesterday, the lira slipped further against the German currency, closing at L756.8, its lowest point since last December.

Analysts said this slippage is causing concern, especially considering that the Bank of Italy was last week forced to raise its emergency funding rate by ½ percentage point. Yesterday, one London bank reported that it had received several calls from the Bank of Italy requesting prices of European currencies, but there was no evidence that the Italian central bank had intervened in the market.

There are now two important hurdles for the Italian currency. The first is L760, the high point in D-Mark/lira trading last December. Analysts said that if the lira crosses this threshold it could weaken to L764, its low limit against the D-Mark in the European exchange rate mechanism.

The Bundesbank would be forced to intervene in the market and buy lire at this stage to keep the Italian currency within its permitted bands. The Bank of Italy might also have to lift its discount rate again to protect the currency.

With no major US economic data out yesterday or today, dollar trading was mostly subdued. The US currency regained some of last week's losses in the European opening, but drifted back later in the day. The outcome was just modest net improvements for the dollar against the D-Mark and yen, at DM1.5895 from a previous finish of DM1.5880 and at around Y127.08 from Y126.75. In New York it ended at DM1.5865 and Y127.28.

£ IN NEW YORK

June 8	Close	Previous Close
£ Spot	1.8345-1.8355	1.8320-1.8330
1 month	0.89-0.88pm	0.91-0.90pm
3 months	2.70-2.68pm	2.71-2.69pm
12 months	8.95-8.87pm	8.98-8.88pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Mexico	5535.65 - 5549.35	3112.50 - 3113.50
N.Zealand	3.3885 - 3.3930	1.8470 - 1.8495
Saudi Ar	6.8170 - 6.8940	3.7495 - 3.7505
Singapore	2.9805 - 2.9875	1.6265 - 1.6275
S.Af (Cm)	5.1750 - 5.1870	2.8165 - 2.8180
S.Af (Fn)	6.3815 - 6.4145	3.4785 - 3.4965
Taiwan	45.60 - 45.75	24.85 - 24.95
U.A.E.	6.6750 - 6.7520	3.6715 - 3.6735

*Floating rate. Iran Official rate £119.10 $65.50

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	171.130	-4.25	5.45	[illegible]
Spanish Peseta	133.631	[illegible]	[illegible]	4.53	[illegible]
Belgian Franc	42.4032	42.1900	[illegible]	1.45	[illegible]
Dutch Guilder	2.31643	2.30924	-0.31	1.27	17
D-Mark	2.05586	2.05017	[illegible]	1.24	[illegible]
[illegible]	[illegible]	[illegible]	0.14	0.82	[illegible]

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
Yen	4.392	7.871	12.51	1000.	42.17	11.42	14.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.018	1.867	2.967	237.2	10.	2.709	3.344	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.376	0.689	1.095	87.53	3.691	1	1.234	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.304	0.558	0.887	70.93	2.991	0.810	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.453	0.831	1.321	105.6	4.454	1.207	1.489	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.457	0.838	1.332	106.4	4.498	1.216	1.501	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.667	3.057	4.858	388.3	16.38	4.437	5.475	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.543	0.997	1.584	126.6	5.340	1.447	1.785	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.703	1.289	2.048	163.7	6.904	1.871	2.309	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesata per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.725	10.65	10.70	10.65	10.65	-	0.06	0.50	2.04
1.750	8.15	8.20	8.15	8.37	-	0.25	0.89	1.64
1.775	5.75	5.79	5.95	6.32	-	0.58	1.60	2.46
1.800	3.20	3.72	4.14	4.65	0.04	2.15	2.53	3.48
1.825	1.27	2.18	2.76	3.12	0.59	2.22	3.76	4.84
1.850	0.26	1.16	1.79	2.19	2.11	3.72	5.31	6.46
1.875	0.03	0.54	1.08	1.43	4.28	5.62	7.14	10.18

Previous day's open int: Calls 343,978 Puts 546,226 (All currencies)
Previous day's volume: Calls 36,656 Puts 27,881 (All currencies)

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Beneficial Bank	11	Heritable & Gen Inv Bnk.	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Short rates softer

SHORT rates in the sterling cash market ended the day slightly lower after most of the £1.3bn shortage forecast by the Bank of England was removed in morning operations.

One-month money finished ⅛ percentage point down from Friday's close, at 9⅞ per cent, after the Bank of England bought more than £1bn of bills from the market in the morning. The move pushed the overnight rate down to a low of 6½ per cent on the day.

At least one trader in a discount house expressed surprise that the Bank had allowed the shortage to be taken out so quickly when sterling is at the bottom of the European Monetary System grid and trading two pfennigs off last week's levels.

However, other traders said the Bank was doing nothing unusual in its operations. "I wouldn't say that bolstering up the overnight would lead to a stronger currency," said one money market trader. "The Bank would probably want to reserve a tighter money policy for when it is more seriously worried about a sterling slide."

The remaining period rates finished unchanged. Everything from three-month Libor out to one-year closed at 10 per cent. The overnight ended at 9 per cent.

In its money market operations, the Bank purchased £437m of Band-1 bank bills at 9⅞ per cent, £310m of Band-2 bank bills at 9⅞ per cent and £280m for resale to the market on June 29 at 9$\frac{15}{16}$ per cent. With the shortage later revised to £1.4m, the Bank bought £169m of Band-1 bank bills at 9⅞ per cent and £205m of Band-2 bank bills at 9⅞ per cent. The Bank did not operate in the afternoon.

Trade in sterling futures had a tone that was less technical, and more bearish about base rate movements. The June short sterling contract traded up three ticks on the day to 89.97. But the September contract went down to 90.15 yesterday, its lowest since the half-point reduction in base rates on May 5.

This is the first time that the market has effectively dismissed the possibility of a ¼ point cut in rates between now and the autumn. The low of 90.15 implied that 3-month Libor in September would be at 9.85 per cent. The closing price of 90.18 implies that it will be at 9.82 per cent.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

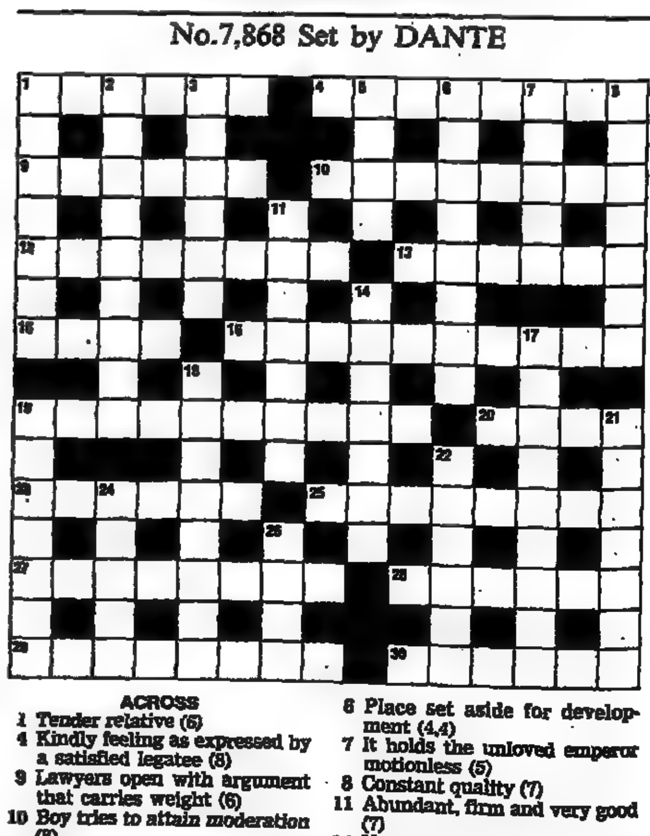
[illegible]

Confederation Bank Limited				
PO Box 104, Princes Rd, Stevenage				0438 744500
60 Day Notice Acc £25,000+	10.50	7.875	10.78	6-mth
M.I.C.A. £25,000+	9.75	7.3125	9.75	Yearly
1 Yr Fixed Rate £1,000+	9.75	7.3125	9.75	Yearly
5 Yr Fixed Rate £1,000+	9.75	7.3125	9.75	Yearly
Co-operative Bank				
PO Box 300, Skelmersdale, Lancs				0800 616162
TESSA	10.00	-	-	Yearly
Investment 90 - 90 Day Notice Savings £50,000+	10.25	7.69	10.51	6-mth
Wimbledon & South West Finance PLC				
114 Newgate St, London EC1 7AE				071-606 9485
High Int Cheque Acc	10.00	7.50	10.38	Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

CROSSWORD

No.7,868 Set by DANTE



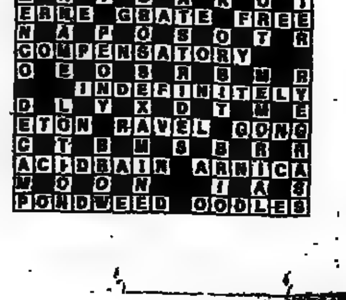
ACROSS

1 Tender relative (6)
4 Kindly feeling as expressed by a satisfied legatee (8)
9 Lawyers open with argument that carries weight (6)
10 Boy tries to attain moderation (8)
12 Put away for safety? (8)
13 Blurt out and admit article is vicious (6)
15 Leave without a thing (4)
16 One will have words on referring to it (10)
19 Get Russian names translated (10)
20 A bird's twittering, perhaps (4)
23 It may be given to those who have booked or get booked (6)
25 Choice way to take sustenance (1,2,5)
27 Makes a successful comeback as an upholsterer? (8)
28 Ranted perhaps when heated (6)
29 Girl to sign for earnings (8)
30 Pay for a seat (6)

DOWN

1 Reserve team that will go down? (7)
2 Very strong sticking-plaster (9)
3 Strange noises affecting Greece and Cyprus (6)
5 Love a note repeatedly played in the orchestra (4)
6 Place set aside for development (4,4)
7 It holds the unloved emperor motionless (5)
8 Constant quality (7)
11 Abundant, firm and very good (7)
14 Venetian to rise with a greeting (7)
17 Those that do will presumably have a mortgage though it's hateful (9)
18 An absorbing business transaction (4,4)
19 Scornful criticisms from a 1 across (7)
21 Fresh letters of support? (7)
22 Make profit from a shipping company, we hear (6)
24 Name this French student (5)
26 A stretcher, to boot (4)

Solution to Puzzle No.7,867



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

4:00 pm prices June 8

[illegible]

MONTREAL

4:00 pm prices June 8

[illegible]

INDICES

NEW YORK

DOW JONES

	Jun 8	Jun 5	Jun 4	Jun 3	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	3404.14	3398.69	3399.73	3406.99	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	99.96	99.86	99.68	99.78	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1388.64	1387.09	1377.06	1373.13	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.19	211.38	211.25	212.01	225.99 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 3422.80 (3424.61) Low 3370.18 (3356.96)

STANDARD AND POOR'S

	Jun 8	Jun 5	Jun 4	Jun 3	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	413.36	413.48	413.26	414.59	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	498.51	489.56	489.57	490.90	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.34	35.07	35.07	35.30	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	227.71	227.88	227.90	228.65	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	396.43	397.16	397.18	395.65	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	582.01	585.43	588.26	589.93	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 29	May 22	May 15	year ago (approx.)
Dow Industrial Div. Yield	2.99	2.92	2.79	2.99

	Jun 3	May 27	May 20	year ago (approx.)
S & P Industrial div. yield	2.63	2.65	2.63	2.74
S & P Indl. P/E ratio	28.96	28.77	28.92	19.24

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Abbott Labs	9,270,100	28¼	- 3¼
Gen Motors	2,475,400	43⅝	- ½
Bristol Myers	2,403,900	65	- ⅛
Salomon Inc	2,336,600	33¼	+ ⅛
Gulf Sts Util	2,062,000	15⅞	+ 1⅛
Premark Inc	1,912,600	34⅞	+ ⅝
Glaxo	1,890,500	26⅛	- ⅛
Santa Fe	1,804,200	12½	+ ⅛
Navistar	1,611,700	3	—
Walt Dis	1,505,000	37⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Jun 8	Jun 5	Jun 4
New York SE	161.110	199.050	204.360
Amex	8.230	11.196	12.279
NASDAQ	(u)	168.391	168.117
NYSE			
Issues Traded	2,261	2,251	2,233
Rises	809	795	755
Falls	866	875	933
Unchanged	586	581	545
New Highs	50	55	77
New Lows	21	31	28

CANADA

TORONTO

	Jun 8	Jun 5	Jun 4	Jun 3	1992 HIGH	1992 LOW
Metals & Minerals	3215.12	3202.90	3234.27	3183.84	3298.87 (16/1)	2828.26 (8/4)
Composite	3394.48	3392.56	3403.42	3407.34	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1791.80	1788.70	1802.27	1798.62	1937.59 (16/1)	1727.04 (8/4)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

[illegible]

‡ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday 8th June 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	3.7	925	-3	Toshiba Corp	1.6	631	-11
Jpn Mil & Chem	2.8	728	-15	Hitachi	1.6	785	
Mitsubishi Kakok	2.1	1,080	-10	TEAC	1.6	980	-5
Okamoto Inds	2.1	1,210	-70	Mitsubishi Hvy	1.4	578	+5
NEC Corp	1.7	885	-25	NPN Steel Corp	1.3	294	-1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices June 8

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12⅞	AAR Corp	0.48	3.8	15	1148	12¾	d12⅝	12¾	
28	20⅞	A L Labs A	0.16	0.8	69	619	23	22¼	22⅜	-½
68¾	56	AMP Inc	1.52	2.5	24	612	60¼	60	60⅛	-⅛
80⅛	60⅞	AMR			17	3081	66⅜	65¼	65⅞	+⅛
2⅜	1¾	ARX			2	6	1¾	1¾	1¾	
53½	40¾	ASA	2.00	4.6	12	423	43⅞	43¼	43½	+¼
34¼	29½	Abbott Lab	0.60	2.2	20	7838	27⅞	d26⅝	27¼	-1⅛
13⅞	12	Abitibi Pr	0.42	3.1	9	2	13½	13½	13½	
11⅝	10⅛	ACM Gvt In x	0.96	8.7		97	11	10⅞	11	+⅛
10⅜	9⅛	ACM GvOpp x	0.60	6.4		104	9⅝	9⅜	9½	-⅛
9½	8½	ACM Gvt Sp x	0.80	8.8		134	9⅛	9	9⅛	+⅛
11⅛	10⅛	ACM Gvt Se	0.96	8.8		187	10⅞	10¾	10⅞	+⅛
9⅜	8⅝	ACM Man x	0.96	10.0		497	9½	9⅜	9½	-⅛
12⅞	10⅝	ACM Mangd x	1.08	9.3		73	11⅝	11½	11⅝	
11¾	6¼	Acme Cleve	0.40	5.3	26	157	7½	7¼	7½	+¼
6¼	4½	Acme Elect			4	65	4⅞	4¼	4¾	-⅛
33¼	18⅞	Acuson			13	800	22¼	21¾	21⅞	+⅛
19½	16⅛	Adams Expr	0.48	2.6	0	61	16⅞	16¾	16¾	
49⅛	39	Ad Micro	3.00	7.6		23	39⅝	d38¾	39⅜	-⅛
21½	14⅝	Ad Micro P	3.00	20.3		53896	14⅞	d14½	14¾	-¼
9⅛	5	Advest Grp	0.16	2.4	66	120	6⅝	6½	6⅝	
71¾	66	Aegon ADR	3.39	4.9	6	2	69¼	69¼	69¼	-½
47	38⅜	Aetna Lf	2.76	6.8	7	1317	41¼	40⅝	40⅞	+⅛
12	8⅞	Ahl A	0.24	2.2	11	819	10⅝	10½	10⅝	
32⅞	24	Aflac	0.44	1.5	15	1463	29½	28⅞	29¼	-¼
19⅜	15⅛	Ahmanson	0.88	5.1	5	1707	17⅝	17¼	17¼	-¼
22½	6¾	Aileen Inc			7	160	8	7¾	7¾	
49½	36½	Air Pr Chm	0.80	1.8	19	729	46⅛	45¾	45½	-⅛
29¾	14	Airbne Frt	0.30	1.6	19	960	18⅞	18¼	18⅜	-⅛
32½	22⅝	Airgas Inc			27	215	30⅝	29¾	30½	
12⅞	8⅛	Airlease	1.65	15.3	7	28	10⅞	10⅝	10⅞	+⅛
104	99½	AlaPw8.16 x	8.16	8.0		10	100½	100½	102	+1½
25⅛	21⅞	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
107	102½	AlaPw9.44	9.44	9.0		z100	102½	d102½	105	+2½

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
39	29⅞	Zurn Ind	0.88	3.0	32	788	30¼	d29¼	29½	−1⅛
14⅛	12¾	Zweig Fund	1.16	9.5		348	12⅝	12½	12½	
11	9½	Zweig Total x	1.00	10.3		2218	9¾	9⅝	9¾	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices June 8

NASDAQ NATIONAL MARKET

4:00 pm prices June 8

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		23	2862	21¼	d20¾	20⅞	−⅛
Xoma Corp		9	8210	15½	14¼	15¼	+½
Yellow Fr	0.94	23	2886	29¾	28⅞	29⅛	−⅝
York Rsch		5	1247	6¼	5⅞	5⅞	−⅛
ZionsUtah	1.44	10	56	63¾	62	63½	+¼

AMERICA

Equities trade in thin range for third day

Wall Street

FOR THE third consecutive day US share prices traded in a narrow range yesterday, amid growing uncertainty about the outlook for the economy and equity values, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 5.45 at 3,404.14, having spent the entire day no more than a few points either side of Friday's close.

There was a similar lack of significant movement in other indices, with the Standard & Poor's 500 down 1.28 at 412.20, the Amex composite off 0.49 at 396.67 and the Nasdaq composite 3.08 easier at 582.35. Turnover on the NYSE came to 91m shares.

Although last Friday's unexpectedly weak May employment report raised hopes that the Federal Reserve will cut interest rates once more to boost economic activity, there was enough uncertainty surrounding monetary policy, and the state of the economic recovery in general, to deter investors from buying stocks in anticipation of a rate reduction.

Analysts also cited overnight weakness in foreign equity markets, notably in Tokyo and London, and the lack of a direction from bond prices as other reasons for the market's indecisive tone.

Even a multi-billion dollar merger between two big regional energy providers failed to stir the market from its slumbers. Gulf States Utilities advanced $1¼ to $15¾ in turnover of 1.8m shares after the company agreed to a $2.3bn link-up with Entergy Corp, which eased $⅛ to $27.

After a delayed opening due to an order imbalance on the buy side, General Dynamics jumped $5¾ to $71 in heavy trading on news that the defence manufacturer will conduct a Dutch auction tender for up to 30 per cent of its stock. Analysts said the company could end up paying as much as $75 a share for its stock.

Trading in Abbott Laboratories was also delayed at the start, and on its resumption the stock plunged $4⅛ to $27¾ in turnover of 7.8m shares as investors sold heavily on news that the company had withdrawn its Omniflox antibiotic drug from the market because several patients had suffered serious reactions to the drug.

Other medical shares which weakened in the wake of Abbott's decline included Critical Care (already troubled by negative recent press coverage), down $2¾ at $42⅝, and Baxter International, $¾ lower at $36⅛.

Asarco improved $⅛ to $31⅝ after Mr Vahid Fahti, an analyst at Kemper Securities, raised his rating on the metals group from "hold" to "long-term buy", citing increasing demand for copper, which has pushed the metal's price higher in a tight commodity market.

Canada

THE Toronto market also closed little changed after a moderate day's trading. The TSE 300 index gained 1.9 at 3,394.5, but declines led advances by 283 to 222 after volume of 20.9m shares valued at C$254.2m.

Rio Algom fell C$1⅛ to C$15¼. The company said its parent, RTZ Corp, is selling its 51 per cent interest in Rio Algom at C$16.50 a share.

SOUTH AFRICA

IMPROVED prospects for the platinum price left JCI R1.50, or 2.4 per cent, higher at R63.50 in mining financials as Johannesburg closed mixed, golds rising 4 to 1,078, industrials by 2 to 4,669 and the overall index by 6 to 3,744.

Strategists assess Europe after Danish 'No'

By William Cochrane

THE European equity world reacted more or less coherently last week to the Danish "No" vote in a referendum on the European Community's Maastricht treaty, the French decision to hold their own referendum after the summer holidays, and the uncertainty this cast on the process of European Monetary Union (Emu).

The Danish component of the FT-Actuaries World Indices dropped 6.1 per cent, after a 4.8 per cent gain in the previous week when domestic polls were pointing to a "Yes" vote. The Nordic block registered a 3.2 per cent fall; France one of 2.2 per cent for President Mitterrand's temerity; and the Mediterranean bourses in Italy and Spain declined by 1.6 and 2.7 per cent respectively.

Mr Andrew Bell, director of European strategy at Barclays de Zoete Wedd, notes that bourses had a clear lead from their bond markets, with yields in the Mediterranean rising by around one-third of a percentage point, and that there were comparable moves in some of the Nordic countries.

There is a twin risk for countries either in or entering the European exchange rate mechanism (ERM), says Mr Bell. Within the ERM, the Spanish and Italian economies have unresolved structural problems, and embedded inflation. For those outside, such as the Nordic bloc, the newfound respectability of their currencies based on EC entry and economic convergence might have to be deferred.

However, BZW is not pessimistic about European equity prospects. There was little corporate news about last week to test reactions and the broker thinks that, unless there is a prospect of the ERM actually falling apart, equity markets will limit themselves to trading, rather than fundamental asset allocation moves.

Meanwhile, Morgan Stanley's senior strategist Mr David Roche thinks the EC must now try to draw up a new treaty covering Emu and European political union (Epu) for member states. Major changes in any new treaty, he says, are likely to lead to the emergence of a "twin-track" Europe with greater emphasis on economic integration than on political unity.

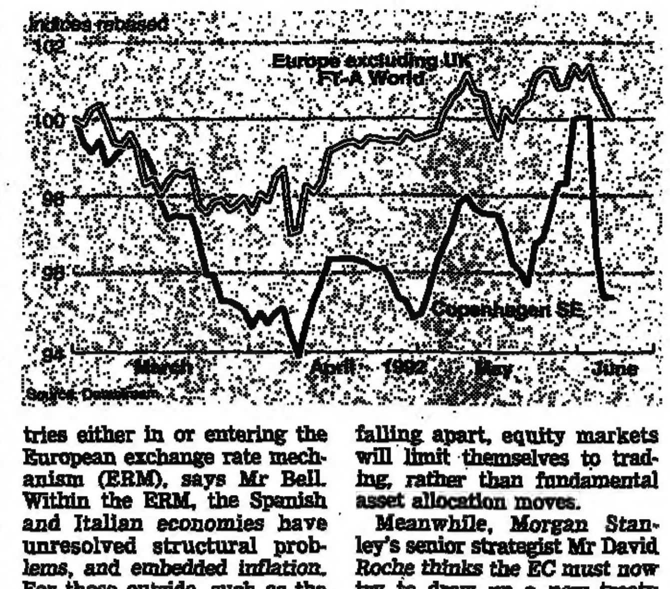
Working along similar lines to Mr Bell, he says assets of countries which have already achieved a large degree of convergence with the Maastricht criteria for monetary union – France, Germany, the Benelux countries and, to a lesser extent, the UK – should continue to command a premium.

His probable losers are Denmark, Italy, Spain and Switzerland (where, he says, the referendum on the European Economic Area may be called into question), and Sweden and Finland, which may see their applications to join the EC delayed by the confusion.

Morgan Stanley likes non-European markets although, clearly, the Japanese were not listening last week as the Tokyo market fell by 2.3 per cent. Within Europe, Mr Roche believes that cyclicals and dollar-earners, German financials, and defensive stocks are likely to outperform.

BZW's Mr Bell thinks that timing of European recovery and falls in German interest rates will be much more important to equities than rows over European union, and that cyclically exposed markets in Norway and Sweden could bear study in the interim.

About Denmark, he says the Danes have done more than almost any other country to achieve convergence with the ERM, at a price of a niggardly growth rate in the 1980s while the rest of Europe was booming. So while they face some risk of political reprisals, there is also the possibility that the economy can improve its investment appeal.



MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1992	% change sterling † Start of 1992	% change in US $ † Start of 1992
Austria	+0.91	+2.21	-20.84	+9.89	+6.48	+4.46
Belgium	-0.87	-1.52	-1.38	+4.32	+1.48	-0.45
Denmark	-6.10	-3.35	-7.86	-6.69	-8.46	-10.19
Finland	-2.70	-6.61	-29.42	+4.80	+2.12	+0.18
France	-2.16	-3.29	+8.48	+12.85	+11.33	+9.22
Germany	-1.01	+1.12	-0.45	+11.21	+8.29	+6.23
Ireland	-0.41	-5.06	-7.62	-1.29	-3.44	-5.27
Italy	-1.62	-0.49	-16.02	-0.36	-2.93	-4.76
Netherlands	+0.21	+1.62	+6.00	+12.26	+9.34	+7.26
Norway	-1.05	-2.60	-16.47	+9.36	+6.83	+4.79
Spain	-2.74	-0.06	-9.58	+3.79	+2.20	+0.26
Sweden	-1.28	-0.24	-8.43	+12.99	+11.16	+9.05
Switzerland	+0.10	-0.84	+11.24	+15.38	+9.87	+7.77
UK	-1.46	-2.11	+6.51	+8.29	+8.29	+6.24
EUROPE	-1.38	-1.31	+2.58	+8.97	+7.43	+5.40
Australia	-0.22	+0.72	+10.38	+0.93	+3.31	+1.35
Hong Kong	-0.39	+9.15	+65.34	+43.19	+46.80	+44.02
Japan	-2.31	-2.56	-29.99	-22.16	-21.78	-23.26
Malaysia	+0.39	-2.79	-10.64	+2.24	+12.51	+10.37
New Zealand	-0.21	+5.76	+0.06	+0.95	+2.61	+0.66
Singapore	-1.69	+2.88	+0.00	+2.73	+4.48	+2.50
Canada	+0.05	+0.51	-5.75	-3.08	-4.31	-6.13
USA	-0.56	-0.69	+8.11	-0.79	+1.12	-0.79
Mexico	+1.98	+3.58	+62.88	+23.26	+22.60	+20.27
South Africa	+0.06	+3.55	+19.99	+8.90	+0.79	-1.12
WORLD INDEX	-1.17	-1.03	-5.35	-4.18	-3.76	-5.58

† Based on June 5th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

ASIA PACIFIC

Nikkei settles down to await June futures settlements

Tokyo

SHARE PRICES lost ground on small-lot arbitrage-related selling, and volume fell to its lowest level since March 30 as investors remained inactive ahead of this Friday's June futures settlements, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 134.98 at 17,655.06, its lowest since May 1. The index opened at the day's high of 17,795.56 and fell to a low for the session of 17,390.31 in the afternoon.

Volume was a mere 170m shares, against Friday's 182m. Declines outnumbered advances by 726 to 204, with 166 issues unchanged. The Topix index of all first section stocks shed 8.17 to 1,337.79, while in London the ISE/Nikkei 50 index eased 3.78 to 1,054.18.

The 225-issue Nikkei was depressed by arbitrageurs unwinding arbitrage-linked cash positions ahead of the June contracts expiry. While bargain hunting by public pension funds and individuals helped to recoup some of the initial losses, the buying failed to trigger institutional trading.

Traders forecast a lull in market activity for the next few weeks. Foreign investor buying, which previously led activity in the market, has slowed.

Dealers took profits on speculative theme stocks which had been previously sought for short-term trading. Okamoto Industries retreated Y70 to Y1,310, but Meiji Milk Products, the day's most active issue, ended Y3 firmer at Y925.

NEC receded Y25 to the year's low of Y885 on profit-taking by foreign investors. Other high-technology issues also weakened.

Mitsui Trust and Banking fell Y19 to a low for the year of Y764. Investors were discouraged by reports of the bank's extension of additional loans to a consumer credit company facing financial trouble.

Mitsubishi Paper Mills moved up Y4 to Y573 on its strong earnings forecast for the current year to next March. The company expects pre-tax profits to rise by 31 per cent and operating profits to increase by 12 times.

In Osaka, the OSE average slipped 235.40 to 20,252.26 in volume of 6.7m shares. Volume fell due to the lack of fresh news. Mori Seiki, the machine tool maker, lost Y10 to Y2,460, investors having become increasingly concerned over weak machine tool orders.

Roundup

THE LOWEST close for four years was recorded by the Seoul market in a Pacific Basin region that, with the exception of Manila and Jakarta, continued to weaken. Australia was closed.

SEOUL's stabilisation fund failed to stop the market from falling: the composite index lost 5.55 to 563.65, but trading ended one hour earlier because of a computer failure. Turnover was put at Won162.5bn.

The few gainers advanced on theme-backed buying. Sunkyong rose Won300 to Won20,400 and Yukong added Won400 at Won24,800. Both companies are competing for a contract to provide a second mobile telecommunications system.

MANILA, by contrast, continued to break records, the composite index closing at another all-time high, up 63.07 at 1,580.28. Sentiment has been encouraged by the likelihood that Mr Fidel Ramos will soon be officially declared president after last month's elections.

HONG KONG was sent lower by profit-taking among leading stocks. The Hang Seng index ended down 57.05 at 5,978.75 in turnover of HK$3.83bn, against HK$4.24bn on Friday.

HSBC Holdings declined HK$1.50 to HK$46.75 following Lloyds Bank's withdrawal from the takeover battle for Midland Bank. Hutchison Whampoa dropped 40 cents to HK$19.00 on unconfirmed rumours that it will soon have a rights issue. Cheung Kong relinquished 60 cents to HK$25.90.

SINGAPORE eased, with the Straits Times Industrial index dipping 3.14 to 1,500.58 in turnover of some S$54.8m.

TAIWAN, which rose in early dealing, closed down on balance after profit-taking. The weighted index lost a net 21.57 at 4,565.04.

NEW ZEALAND saw lacklustre trading that was not helped by the closure of Australian markets. The NZSE-40 index slipped 2.60 to 1,572.30.

JAKARTA rose on foreign buying of selected blue chips. The Jardine Fleming index gained 1.56 to 68.22. The market is shut today for the general election.

EUROPE

Milan falls after rise in Lombard rate

WITH most of the Continent closed for the Whit Monday public holiday, Milan and Madrid were the main players on a stage darkened by last week's Danish referendum "No" vote, *writes Our Markets Staff.*

The focus for Euro Disney shifted to London where the shares finished down 20p at 1083p. Analysts said that trading was thin as many investors waited for Paris where Euro Disney's shares lost 5 per cent on Friday.

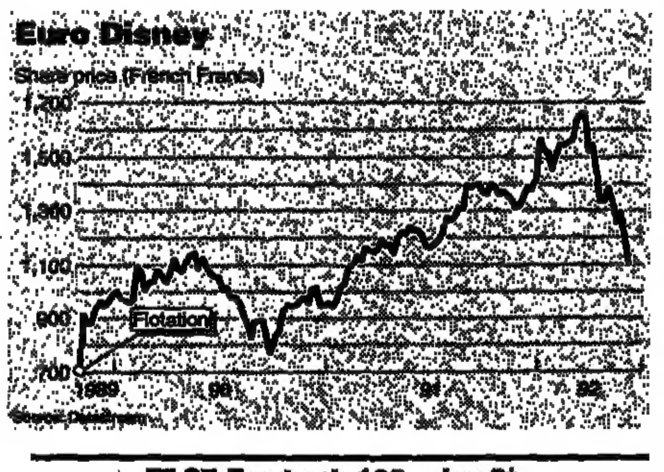
MILAN was also depressed by rises in banks' base rates following the Bank of Italy's increase in Lombard rate last Friday, and confused by another blackout of the bourse's screen trading system which left volume thin after last Friday's L99.5bn.

The Comit index fell another 6.34, or 1.3 per cent to 481.08. The 35 shares listed on the computer system started trading by traditional open outcry at 1100 GMT after the screen system collapsed due to a technical failure. Heavy rainstorms and lightning put the screens out of commission a week before.

Fiat fell L52 to L5,230, and shed another L50 to L5,180 on the kerb. Banks, and other industrials lost ground, and selling of Ferruzzi's Eridania dragged the food sector down by 3.15 per cent, Eridania savings shares losing L280 to L5,410. Traders said that domestic Italian investors were selling to raise liquidity for the upcoming Stet new issue.

The day's special situation was Alenia, the Italian partner in the troubled European defence jet fighter consortium, which plunged L130, or 7.7 per cent to L1,550 on Germany's lack of political will to stay with the project.

MADRID remained cautious with the post-Maastricht vote still weighing on sentiment. However, the market may gain impetus on Friday with the release of CPI data. The general index lost 0.84 to 253.80 in low turnover of Pta5.7bn. Endesa bucked the trend, rising Pta25 to Pta3,680, on speculation that RWE of Germany is interested in building a 10 per cent stake.



FT-SE Eurotrack 100 - Jun 8‡

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1178.67	1178.74	1178.74	1178.18	1177.75	1177.89	1177.20	1177.48

Day's High 1179.50 Day's Low 1176.90

Jun 5	Jun 4	Jun 3	Jun 2	Jun 1
1181.18	1184.92†	1186.81	1200.27	1196.12

Base value 1000 (26/10/90). ‡ Partial † Indicative.

ISTANBUL was encouraged by positive May inflation figures published after the close on Friday. The 75-share index gained 198.7 or 6 per cent to 3,462.05.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JUNE 8 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JUNE 5 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (69)	153.18	+0.2	123.83	123.06	126.58	133.26	+0.0	4.09	152.88	123.49	122.49	126.22	133.26	153.68	140.94	134.01
Austria (19)	174.50	+0.3	141.07	140.20	144.21	144.19	+0.0	2.04	173.96	140.51	139.38	143.62	144.19	188.70	162.48	198.22
Belgium (46)	143.91	+0.2	116.34	115.61	118.92	116.05	+0.0	5.28	143.69	116.07	115.12	118.63	116.05	146.19	135.87	130.34
Canada (115)	128.31	+0.3	103.73	103.08	106.03	110.89	+0.2	3.31	127.94	103.34	102.50	105.62	110.62	142.12	125.60	141.57
Denmark (35)	239.83	+0.0	193.87	192.66	198.19	200.28	+0.0	1.83	239.92	193.79	192.23	198.08	200.28	273.94	226.81	239.67
Finland (15)	78.00	-0.2	63.05	62.67	64.46	70.82	-0.2	1.99	78.16	63.13	62.62	64.53	70.96	89.80	73.64	112.75
France (104)	164.24	+0.0	132.77	131.94	135.71	138.02	+0.0	3.41	164.31	132.72	131.64	135.65	138.02	168.75	148.06	134.33
Germany (65)	124.53	-0.1	100.67	100.06	102.90	102.90	+0.0	2.25	124.84	100.68	99.88	102.90	102.90	124.92	114.67	111.81
Hong Kong (55)	251.42	-1.0	203.25	202.00	207.78	249.70	-1.0	3.28	253.99	205.16	203.50	209.70	252.21	254.67	178.36	150.98
Ireland (16)	158.44	-0.3	128.08	127.29	130.93	133.08	-0.4	4.09	168.97	128.40	127.37	131.24	133.57	173.71	151.78	152.72
Italy (78)	70.45	-1.9	56.95	56.60	58.22	63.29	-1.8	3.34	71.80	57.99	57.52	59.27	64.44	80.86	68.39	79.19
Japan (473)	103.36	-0.8	83.55	83.04	85.42	83.04	-0.8	1.02	104.23	84.19	83.51	86.06	83.51	140.95	88.70	130.23
Malaysia (69)	235.47	-0.4	190.36	189.18	194.56	228.58	-0.4	2.72	236.40	190.96	189.40	195.16	229.48	250.18	212.49	235.54
Mexico (18)	1667.12	-0.4	1347.69	1339.40	1377.67	5674.20	-0.5	1.01	1673.19	1351.49	1340.57	1381.38	5701.26	1789.77	1376.91	1056.50
Netherland (25)	163.59	-0.1	132.24	131.43	135.19	133.69	+0.0	4.20	163.77	132.28	131.21	135.21	133.69	163.77	147.88	136.60
New Zealand (14)	47.39	+0.2	38.31	38.08	39.17	46.52	-0.2	5.50	47.30	38.20	37.90	39.05	46.61	48.52	42.01	49.12
Norway (23)	187.89	+0.3	151.89	150.95	155.27	158.30	+0.0	1.80	187.36	151.34	150.12	154.69	158.30	192.95	161.26	198.81
Singapore (38)	224.37	-0.4	181.38	180.26	185.41	168.22	-0.1	1.97	225.18	181.88	180.42	185.90	168.47	228.43	192.76	200.66
South Africa (61)	247.50	+0.6	200.08	198.84	204.53	188.66	+0.1	2.72	246.11	198.79	197.18	203.18	188.38	263.60	203.16	222.61
Spain (50)	155.72	-0.7	125.88	125.11	128.68	118.56	-0.3	5.13	156.82	126.67	125.65	129.47	118.92	161.72	146.86	158.98
Sweden (27)	197.72	+0.1	159.83	158.85	163.39	167.93	+0.0	2.64	197.54	159.56	158.28	163.10	167.93	200.26	173.09	188.22
Switzerland (61)	108.06	-0.1	87.36	86.82	89.31	97.28	+0.0	2.26	108.17	87.38	86.68	89.32	97.28	108.17	95.99	92.35
United Kingdom (226)	195.05	-0.9	157.68	156.69	161.17	157.68	-0.9	4.74	196.89	159.04	157.74	162.54	159.04	200.07	165.85	167.72
USA (522)	168.43	-0.1	136.16	135.32	139.19	168.43	-0.1	2.98	168.53	136.13	135.03	139.14	168.53	171.56	160.92	153.47
Europe (792)	154.79	-0.6	125.13	124.36	127.92	127.39	-0.5	3.86	155.66	125.73	124.71	128.51	128.00	156.88	139.31	137.06
Nordic (100)	182.37	+0.1	147.43	146.52	150.71	148.25	+0.0	2.19	182.28	147.23	146.04	150.49	148.26	188.52	169.66	182.00
Pacific Basin (718)	109.92	-0.8	88.86	88.31	90.84	89.38	-0.5	1.39	110.78	89.48	88.76	91.46	89.87	141.97	94.40	130.85
Euro – Pacific (1510)	128.09	-0.7	103.54	102.90	105.84	105.10	-0.5	2.58	128.95	104.16	103.31	106.45	105.64	145.21	113.80	133.64
North America (637)	165.91	+0.0	134.12	133.31	137.13	164.51	+0.0	2.99	165.98	134.07	133.00	137.06	164.59	169.69	158.70	152.64
Europe Ex. UK (564)	130.72	-0.3	105.67	105.04	108.05	109.87	-0.2	3.19	131.07	105.87	105.04	108.24	110.07	131.77	121.81	118.29
Pacific Ex. Japan (245)	174.53	-0.4	141.09	140.24	144.24	154.61	-0.5	3.49	175.25	141.56	140.43	144.70	155.35	175.31	149.00	136.68
World Ex. US (1704)	130.42	-0.6	105.43	104.79	107.78	107.54	-0.5	2.59	131.22	105.99	105.14	108.34	108.05	146.91	116.45	135.34
World Ex. UK (1998)	137.26	-0.3	110.97	110.30	113.45	123.14	-0.2	2.48	137.71	111.23	110.34	113.71	123.43	150.58	127.21	137.83
World Ex. So. Af. (2165)	141.56	-0.4	114.43	113.74	116.99	125.79	-0.3	2.74	142.13	114.80	113.89	117.35	126.18	153.05	130.04	139.92
World Ex. Japan (1753)	164.08	-0.2	132.64	131.84	135.61	151.26	-0.2	3.31	164.47	132.85	131.79	135.81	151.60	165.40	153.20	147.19
The World Index (2226)	142.25	-0.4	115.00	114.29	117.56	126.36	-0.3	2.74	142.81	115.35	114.42	117.91	126.75	153.70	130.86	140.44

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